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THE
COUNCIL OF STATE DEBATES

VOLUME I, 1931

(10th February to 2nd April, 1931)

FIRST SESSION

OF THE

THIRD COUNCIL OF STATE, 1931



CALCUTTA: GOVERNMENT OF INDIA
CENTRAL PUBLICATION BRANCH
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THE HONOURABLE SARDAR CHARANJIT SINGH.

THE HONOURABLE MAJOR NAWAB SIR MAHOMED AKBAR KHAN, K.B.E.
C.I.E.

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THE
COUNCIL OF STATE DEBATES
(OFFICIAL REPORT OF THE FIRST SESSION OF THE THIRD
COUNCIL OF STATE.)

VOLUME I—1931.

COUNCIL OF STATE.

Tuesday, 10th February, 1931.

The Council met in the Council Chamber of the Council House in New Delhi at Half Past Two of the Clock, being the first day of the First Session of the Third Council of State, pursuant to section 63D (2) of the Government of India Act. The Honourable the President (the Honourable Sir Henry Moncrieff Smith, Kt., C.I.E.) was in the Chair.

The Honourable the President, then standing, took the Oath and signed the Roll.

MEMBERS SWORN :

His Excellency General Sir Philip Walhouse Chetwode, Bart., G.C.B., K.C.M.G., D.S.O., Commander-in-Chief.

The Honourable Sir Brojendra Mitter, Kt. (Law Member).

The Honourable Sir Joseph William Bhore, K.C.I.E., C.B.E. (Industries and Labour Member).

The Honourable Sir Maneckji Byramji Dadabhoy, K.C.I.E., Kt. (Central Provinces : Nominated Non-Official).

The Honourable Raja Sir Moti Chand, Kt., C.I.E. (United Provinces Southern : Non-Muhammadian).

The Honourable Rai Bahadur Lala Ram Saran Das, C.I.E. (Punjab : Non-Muhammadian).

The Honourable Sardar Charanjit Singh (Punjab : Nominated Non-Official).

The Honourable Nawab Khwaja Habibullah (Bengal : Nominated Non-Official).

The Honourable Mr. Philip Henry Browne, C.B.E. (Bengal Chamber of Commerce).

- The Honourable Mr. Ernest Miller, J.P. (Bombay Chamber of Commerce).
- The Honourable Sir Sankaran Nair, Kt. (Madras : Nominated Non-Official).
- The Honourable Mr. Ganpati Agraharam Annadthurai Ayyar Natesan (Madras : Nominated Non-Official).
- The Honourable Mr. Hormusji Maneckji Mehta (Bombay : Non-Muhammadan).
- The Honourable Sardar Saheb Suleman Cassum Haji Mitha, C.I.E. (Bombay Presidency : Muhammadan).
- The Honourable Mr. Satyendra Chandra Ghose Moulik (West Bengal : Non-Muhammadan).
- The Honourable Mr. Syed Abdul Hafeez (East Bengal : Muhammadan).
- The Honourable Nawab Sahibzada Sir Sayad Mohamad Mehr Shah, Kt. (West Punjab : Muhammadan).
- The Honourable Major Nawab Sir Mahomed Akbar Khan, K.B.E., C.I.E. (North-West Frontier Province : Nominated Non-Official).
- The Honourable Raja Raghunandan Prasad Singh (Bihar and Orissa : Non-Muhammadan).
- The Honourable Mr. Galesh Srikrishna Khaparde (Berar Representative).
- The Honourable Major-General John Wallace Dick Megaw, C.I.E., M.B., K.H.P., I.M.S. (Director-General, Indian Medical Service).
- The Honourable Sir Frank Noyce, Kt., C.S.I., C.B.E. (Education, Health and Lands Secretary).
- The Honourable Mr. John Ackroyd Woodhead, C.I.E. (Commerce Secretary).
- The Honourable Sir Arthur Cecil McWatters, Kt., C.I.E. (Finance Secretary).
- The Honourable Mr. Herbert William Emerson, C.I.E., C.B.E. (Home Secretary).
- The Honourable Sir Charles Cunningham Watson, K.C.I.E., C.S.I. (Political Secretary).
- The Honourable Mr. Miles Irving, C.I.E., O.B.E. (Punjab : Nominated Official).
- The Honourable Mr. John Tarlton Whitty, C.I.E. (Bihar and Orissa : Nominated Official).
- The Honourable Mr. Jyotsnanath Ghosal, C.S.I., C.I.E. (Bombay : Nominated Official).
- The Honourable Mr. Kenneth Brand Harper (Burma Chamber of Commerce).
- The Honourable Mr. A. Hamid (Burma : General).
- The Honourable Rai Bahadur Promode Chandra Dutta, C.I.E. (Assam : Non-Muhammadan).
- The Honourable Raja Laxmanrao Bhonsle (Central Provinces : General).
- The Honourable Mr. Abu Abdullah Saiyid Hussain Imam (Bihar and Orissa : Muhammadan).

- The Honourable Rai Bahadur Radha Krishna Jalan (Bihar and Orissa : Non-Muhammadan).
- The Honourable Raja Sir Rempal Singh, K.C.I.E. (United Provinces Central : Non-Muhammadan).
- The Honourable Khan Bahadur Chaudri Muhammad Din (East Punjab : Muhammadan).
- The Honourable Babu Jagadish Chandra Banerjee (East Bengal : Non-Muhammadan).
- The Honourable Mr. Bijoy Kumar Basu (Bengal : Nominated Non-Official).
- The Honourable Mr. Mahmood Suhrawardy (West Bengal : Muhammadan).
- The Honourable Sardar Shri Jagannath Maharaj Pandit (Bombay : Non-Muhammadan).
- The Honourable Mr. Muthiah David Devadoss (Nominated Indian Christians).
- The Honourable Sir C. P. Ramaswami Ayyar, K.C.I.E. (Madras : Non-Muhammadan).
- The Honourable Diwan Bahadur G. Narayanaswami Chetti Garu, C.I.E. (Madras : Non-Muhammadan).
- The Honourable Khan Bahadur Hafiz Muhammad Halim (United Provinces West : Muhammadan).
- The Honourable Mr. Abu Abdullah Muhammad Zakaullah Khan (United Provinces : Nominated Official).
- The Honourable Rai Bahadur Lala Jagdish Prasad (United Provinces Northern : Non-Muhammadan).

MESSAGES FROM HIS EXCELLENCY THE GOVERNOR GENERAL.

THE HONOURABLE THE PRESIDENT : I have Messages for the Council from His Excellency the Governor General. The Messages are in the form of the following Orders :—

The first Order :

PANEL OF CHAIRMEN.

"In pursuance of the provisions of sub-section (2) of section 63A of the Government of India Act, I, Edward Frederick Lindley, Baron Irwin, hereby nominate the following Members of the Council of State to be on the Panel of Chairmen of the said Council of State :

In the first place, the Honourable Sir Maneckji Dadabhoj ; in the second place, the Honourable Mr. K. B. Harper ; in the third place, the Honourable Rai Bahadur Lala Ram Saran Das ; and lastly, the Honourable Sir C. P. Ramaswami Ayyar.

New Delhi ;

The 3rd February, 1931.

(Sd.) IRWIN,

Viceroy and Governor General."

The second Order :

RAILWAY BUDGET.

"For the purposes of sub-section (1) of section 67A of the Government of India Act and in pursuance of rule 43 of the Indian Legislative Rules and of Standing Order 70 of the Council of State Standing Orders, I, Edward Frederick Lindley, Baron Irwin, hereby appoint Tuesday, the 17th February, for the presentation to the Council of State, and Friday, the 20th February or Saturday, the 21st February, according to which is not a holiday, for the General Discussion in the Council of State, of the statement of the estimated annual expenditure and revenue of the Governor General in Council in respect of Railways.

New Delhi ;
The 27th January, 1931.

(Sd.) IRWIN,
Viceroy and Governor General."

The third Order :

GENERAL BUDGET.

"For the purposes of sub-section (1) of section 67A of the Government of India Act and in pursuance of rule 43 of the Indian Legislative Rules and of Standing Order 70 of the Council of State Standing Orders, I, Edward Frederick Lindley, Baron Irwin, hereby appoint Saturday, the 28th February, at 5 p.m., for the presentation to the Council of State, and Saturday, the 7th March, for the General Discussion in the Council of State of the statement of the estimated annual expenditure and revenue of the Governor General in Council in respect of subjects other than Railways.

New Delhi ;
The 27th January, 1931.

(Sd.) IRWIN,
Viceroy and Governor General."

The fourth Order :

"In pursuance of the provisions of sub-section (3) of section 67A of the Government of India Act, I hereby direct that the heads of expenditure specified in that sub-section shall be open to discussion by the Council of State when the Budget is under consideration.

(Sd.) IRWIN,
Viceroy and Governor General."

(The Messages were received by the Council standing.)

 COMMITTEE ON PETITIONS.

THE HONOURABLE THE PRESIDENT: Under Standing Order 76 of the Council of State Standing Orders, I am required at the commencement of each Session to constitute a Committee on Petitions consisting of a Chairman and four members. The following Honourable Members have at my request kindly consented to preside over and serve on the Committee. I accordingly have much pleasure in nominating as Chairman of the Committee the Honourable Sir Phiroze Sethna, and as members, the Honourable Sardar Bahadur Shivdev Singh Uberoi, the Honourable Mr. G. A. Natesan, the Honourable Sardar Charanjit Singh and the Honourable Major Nawab Sir Mahomed Akbar Khan,

APPOINTMENTS TO THE LIBRARY COMMITTEE OF THE INDIAN LEGISLATURE.

THE HONOURABLE THE PRESIDENT : I have also to announce to the Council that I have appointed the Honourable Sir Dinshaw Wacha and the Honourable Mr. G. A. Natesan to be members of the Library Committee of the Indian Legislature.

POSTPONEMENT OF QUESTIONS.

THE HONOURABLE THE PRESIDENT : The next business that would ordinarily come before the Council in the usual course is the asking and answering of questions. Honourable Members will have observed that there is a very long list for to-day which would occupy at least the hour which is usually allotted for questions. In view of the fact that to-day is a public holiday and that there is another function this afternoon that will be beginning within an hour, I suggest to the House that the questions for to-day should be put on the List of Business for to-morrow and answered then. That will be done.

DEATHS OF SIR IBRAHIM HAROON JAFFER AND RAO BAHADUR D. LAXMINARAYAN.

THE HONOURABLE THE PRESIDENT : Before we proceed to any further business to-day, it is my painful duty to refer to two of our late colleagues who have been removed by death since the last Session of the Council. Sir Ibrahim Haroon Jaffer could not at the time of his decease be strictly regarded as one of our colleagues since his death occurred only a day or two after the last general election at which he had failed to secure his return to the Council. But he was a Member of this Council for so long and up to such a recent date that I think there are many here who knew him and who sat with him in this Chamber who would desire me on their behalf to make some reference to him and to record an expression of our sorrow and our sympathy.

The death of Rao Bahadur D. Laxminarayan also occurred just a few days after the general election, and as a result of that election we were looking forward to the pleasure of having him here again. He was a gentleman of the old school, and though he had not been a Member of the Council for very long, yet in that short time he had made for himself a name for unfailing courtesy of conduct. His last act of generosity to the people of his province is well-known to every one here. I shall, on behalf of the Council, send to the bereaved members of the families of our two late colleagues a message of their sympathy and condolence.

BILLS PASSED BY THE LEGISLATIVE ASSEMBLY LAID ON THE TABLE.

SECRETARY OF THE COUNCIL : Sir, in accordance with rule 25 of the Indian Legislative Rules, I lay on the table copies of the following Bills which

[Secretary of the Council.]

were passed by the Legislative Assembly at its meetings held on the 19th and 21st January, and 2nd February, 1931, namely :

- A Bill to supplement the Criminal Procedure (Punjab Amendment) Act, 1930.
- A Bill further to amend the Indian Ports Act, 1908, for a certain purpose.
- A Bill further to amend the Cantonments Act, 1924, for certain purposes.
- A Bill further to amend the Indian Territorial Force Act, 1920, for a certain purpose.
- A Bill further to amend the Auxiliary Force Act, 1920, for a certain purpose.
- A Bill to make special provision for the administration of the port of Vizagapatam.
- A Bill to give effect in British India to the Treaty for the Limitation and Reduction of Naval Armament.
- A Bill further to amend the Indian Income-tax Act, 1922, for a certain purpose.

GOVERNOR GENERAL'S ASSENT TO BILLS.

SECRETARY OF THE COUNCIL : Sir, information has been received that His Excellency the Governor General has been pleased to grant his assent to the following Bills which were passed by the two Chambers of the Indian Legislature during the Simla Session, 1930, namely :

- The Indian Lac Cess Act, 1930.
- The Negotiable Instruments (Amendment) Act, 1930.
- The Indian Forest (Amendment) Act, 1930.
- The Indian Telegraph (Amendment) Act, 1930.
- The Bombay Civil Courts (Amendment) Act, 1930.
- The Benares Hindu University (Amendment) Act, 1930.
- The Hindu Gains of Learning Act, 1930.
- The Ajmer-Merwara Court-fees (Amendment) Act, 1930.
- The Mussalman Wakf Validating Act, 1930.

MOTION FOR THE ELECTION OF TWO MUSLIM MEMBERS TO THE STANDING COMMITTEE ON PILGRIMAGE TO THE HEDJAZ.

THE HONOURABLE SIR FRANK NOYCE (Education, Health and Lands Secretary) : Sir, I move :

"That this Council do proceed to elect, in such manner as the Honourable the President may direct, two Muslim Members to sit on the Standing Committee on Pilgrimage to the Hedjaz."

The motion was adopted.

THE HONOURABLE THE PRESIDENT : In connection with this motion I direct that nominations shall be receivable by the Secretary up till the hour of 11 o'clock to-morrow morning.

CONGRATULATIONS TO MEMBERS WHO HAVE RECEIVED HONOURS.

THE HONOURABLE THE PRESIDENT: Before I adjourn the Council, it gives me great pleasure to refer to those who, since our last meeting, have received honours at the hands of His Majesty the King-Emperor. In the first place, I have to refer to our old friend and colleague, the Honourable Major Nawab Sir Mahomed Akbar Khan, K.B.E., C.I.E. The mere recital of his name and title indicates very clearly that this is not the first time that he has found a place in an Honours List. The recent conferment on him of a Knight Commandership of the Most Excellent Order of the British Empire has been a source of great pleasure and extreme satisfaction to all his numerous friends. He was the first representative here of the North-West Frontier Province, and I was delighted—and I think all of us were delighted—to find that His Excellency the Governor General had so appreciated his services to this Council and to his province that he has again renominated him as a Member of this Chamber.

We have also two new Companions of the Most Eminent Order of the Indian Empire. The Honourable Mr. Woodhead is an official, and as such he has received an honour in regard to which perhaps we cannot have the complete satisfaction of feeling that it has been conferred upon him in respect mainly of his work in this Council. But we have all admired the ability with which he has discharged his functions here, and particularly perhaps the manner of his dealing in this House with a subject with which, I understand, outside this House he has no concern.

The Honourable Rai Bahadur Promode Chandra Dutta is personally known to most of us to-day for the first time though we all know the details of his career. He is one of that large body of members of the legal profession who have given up a good deal of their time to public duties, and it is common knowledge that as a Minister of the Government in Assam he discharged his functions with popularity and with distinction. In welcoming him to this Council we heartily congratulate him on the honour conferred upon him.

STATEMENT OF BUSINESS.

THE HONOURABLE SIR BROJENDRA MITTER (Leader of the House): Sir, the lists of business for Wednesday, the 11th, and Thursday, the 12th, are already in the hands of Honourable Members. There will be no other meetings of the Council this week. I shall make a further statement on Thursday, the 12th, regarding the probable course of business during next week.

The Council then adjourned till Eleven of the Clock on Wednesday, the 11th February, 1931.

COUNCIL OF STATE.

Wednesday, 11th February, 1931.

The Council met in the Council Chamber of the Council House at Eleven of the Clock, the Honourable the President in the Chair.

MEMBERS SWORN :

The Honourable Saiyed Mohamed Padshah Sahib Bahadur (Madras : Muhammadan).

The Honourable Sardar Bahadur Shivdev Singh Uberoi (Punjab : Sikh).

The Honourable Sir John Perronet Thompson, K.C.I.E., C.S.I. (Delhi : Nominated Official).

QUESTIONS AND ANSWERS.

THE DACCA-ARICHA RAILWAY.

1. THE HONOURABLE BABU JAGADISH CHANDRA BANERJEE :
(a) Does considerable discontent exist in Eastern Bengal owing to the delay in the materialisation of the Dacca-Aricha Railway ?

(b) Was a committee known as the Station Site Committee formed in Dacca in this connection ?

(c) Was the work of the Station Site Committee suspended ?

(d) If so, will Government be pleased to state the reasons for such suspension ?

(e) Will Government state the time that is now taken by a journey from Dacca to Calcutta *via* Narayanganj ?

(f) Will Government be pleased to make a statement of the cost of a journey from Dacca to Calcutta *via* Narayanganj by different classes ?

(g) Are loss and delay caused to the public by the present travelling arrangements ?

THE HONOURABLE MR. J. A. WOODHEAD : (a) Government are aware that a certain amount of disappointment exists in Eastern Bengal owing to active construction of the Dacca-Aricha Railway having not yet been begun.

(b) Yes.

(c) and (d). The Station Site Committee has not yet functioned and cannot do so until the Committee appointed by the Bengal Government to consider the question of waterways and headways has completed its investigation as the siting of stations depends upon the amount of headway necessary for certain rivers.

(e) 15 hours 20 minutes.

	Rs. a. p.
(f) 1st class	35 15 9
2nd class	21 11 9
Intermediate class	8 10 3
3rd class	5 6 3

(g) Government are aware that the Dacca-Aricha Railway would afford a quicker and cheaper route.

FARES CHARGED BY INLAND STEAMER COMPANIES PLYING ON THE RIVERS GANGES AND BRAHMAPUTTRA.

2. THE HONOURABLE BABU JAGADISH CHANDRA BANERJEE :

(a) Will Government be pleased to make a statement as to the rules on the basis of which fares are calculated by the inland steamer companies plying on the rivers Ganges and Brahmaputra ?

(b) Will Government be pleased to lay on the table a comparative statement showing the present fares as well as the fares prevailing during the last five years ?

THE HONOURABLE MR. J. A. WOODHEAD : (a) An enquiry was made from the Joint Inland Steamer Companies with reference to the Honourable Member's question and they have replied as follows :

"The Inland Steamer Companies plying on the rivers Ganges and Brahmaputra follow, so far as suitable and practicable, the procedure observed by the railways in conjunction with whom they exchange traffic in through booking.

The Inland Steamer Companies charge in respect of third class passenger traffic on their steamer services up to a maximum of 4 pies per mile. The fares on the Ganges service are specially low to compensate passengers for the slow cargo-carrying service against the quicker direct rail routes available. The fares on both the Padma and Brahmaputra rivers are based on a scale of 4 pies per mile."

(b) A copy of a statement furnished by the Joint Inland Steamer Companies is laid on the table.

Statement.

Service.	Stations.		Miles.	Fares.		Remarks.
	Between	and		1931.	1926.	
1	2	3	4	5	6	7
Ganges service	Goalundo .	Rajshahi .	124	Rs. a. p. 1 9 0	Rs. a. p. 1 9 9	By slow cargo service steamers.
Ditto .	Do. .	Rajmahal	241	2 2 3	2 1 6	Ditto.
Ditto .	Do. .	Monghyr .	362	2 13 3	2 9 3	Ditto.
Ditto .	Do. .	Patna .	444	3 7 6	2 15 3	Ditto.

Service.	Stations.		Miles.	Fares.		Remarks.
	Between	and		1931.	1926.	
1	2	3	4	5	6	7
Ganges service (Padma).	Goalundo	Tarpassa (Lohajung).	69	Rs. a. p. 1 7 0	Rs. a. p. 1 2 3	
Ditto .	Do. .	Naraingunge	104	2 2 9	1 15 3	
Ditto .	Do. .	Chandpur	95	1 15 9	1 13 3	
Ditto .	Naraingunge	Do. .	37	0 12 6	1 0 0	
Ditto .	Do. .	Sureswar .	35	0 11 9	0 14 0	
Ditto .	Do. .	Tarpassa (Lohajung).	35	0 11 9	0 14 6	
Ditto .	Do. .	Mowah .	41	0 13 9	0 15 3	
Ditto .	Do. .	Nandalalpur	50	1 0 9	1 1 0	
Ditto .	Do. .	Kadirpur .	53	1 1 9	1 0 3	
Ditto .	Do. .	Topakhola (Faridpur).	67	1 13 0	1 15 3	
Ditto .	Chandpur	Sureswar .	26	0 8 9	0 10 0	
Ditto .	Do. .	Tarpassa (Lohajung)	26	0 8 9	0 12 0	
Ditto .	Do. .	Mowah .	32	0 10 9	0 12 9	
Ditto .	Do. .	Nandalalpur	41	0 13 9	0 14 9	
Ditto .	Do. .	Kadirpur .	44	0 14 9	0 13 3	
Ditto .	Do. .	Topakhola (Faridpur).	78	1 10 0	1 13 3	
Brahmaputra	Goalundo .	Serajunge	68	1 6 9	1 6 6	
Ditto .	Do. .	Dhubri .	214	4 7 6	4 1 6	
Ditto .	Do. .	Pandu .	348	7 4 0	6 11 3	
Ditto .	Do. .	Tezpur .	450	9 6 0	8 12 0	
Ditto .	Do. .	Dibrugarh	656	13 10 9	13 0 9	

TELEPHONE SERVICE IN DACCA.

3. THE HONOURABLE BABU JAGADISH CHANDRA BANERJEE :

(i) Will Government be pleased to make a statement of the number of subscribers to the Government telephone service in Dacca ?

(ii) Will Government be pleased to state the amount of subscription that each subscriber has to pay ?

(iii) Will Government be pleased to state whether the telephone service in Dacca is run on commercial lines ?

THE HONOURABLE SIR JOSEPH BHOORE : (i) The Government telephone system at Dacca consists of the exchanges at Dacca and Narayanganj with 161 and 75 connections, respectively ; there is a free junction service between the two exchanges.

(ii) The annual rate of rental for a connection within 3 miles from either of the two exchanges is Rs. 200, which is the standard rate for a system of this size.

(iii) Yes.

FUNCTIONS OF ASSISTANT COMMISSIONERS OF INCOME-TAX AND OF INCOME TAX OFFICERS.

4. THE HONOURABLE BABU JAGADISH CHANDRA BANERJEE : (i) Will Government be pleased to state what are the functions of the Assistant Commissioners of Income-tax ?

(ii) Will Government be pleased to state what are the functions of the Income-tax Officers ?

(iii) Will Government be pleased to define the relationship between the Assistant Commissioners of Income-tax and the Income-tax Officers ?

(iv) Is the work of assessment of Income-tax by the Income-tax Officers supervised by the Assistant Commissioners of Income-tax ?

(v) Are appeals against the decisions of Income-tax Officers heard by the Assistant Commissioners of Income-tax ?

THE HONOURABLE SIR ARTHUR McWATTERS : (i) to (iii). The attention of the Honourable Member is invited to paragraph 24 of the Instructions in the Income-tax Manual, where he will find the information he seeks. It is difficult to compress it within the limits of an answer to a question. If he does not possess a copy of the Income-tax Manual he will find one in the Library of this House.

(iv) Under the control of the Commissioner of Income-tax the Assistant Commissioners exercise general administrative supervision over the work of Income-tax Officers. They are not supposed, nor have they any power, to interfere in individual assessments, just as the Commissioner of Income-tax is not supposed, and has no power, to interfere in the Assistant Commissioner's appellate work.

(v) Yes.

RECEIPTS FROM THE JUTE TAX IN BENGAL, ETC.

5. THE HONOURABLE BABU JAGADISH CHANDRA BANERJEE : (i) Will Government be pleased to make a statement of the receipts from the jute tax in Bengal ?

(ii) Will Government be pleased to state how this money is generally disposed of ?

(iii) Do Government intend to advance money to the Government of Bengal for the distribution of loans on reasonable security among the Bengal cultivators ?

THE HONOURABLE SIR FRANK NOYCE : (i) The amount realised from the export duty on jute during the last five years has been as follows :

	Rs.
1925-26	3,67,66,343
1926-27	3,94,55,232
1927-28	4,59,37,164
1928-29	4,21,43,294
1929-30	4,65,73,884

(ii) The proceeds of the duty are credited to the general revenues of the Central Government.

(iii) The distribution of *takavi* advance is a matter for the Local Government. No application for an additional advance from the Provincial Loans Fund for this purpose has yet been received by the Government of India.

CREATION OF A CENTRAL JUTE COMMITTEE, ETC.

6. THE HONOURABLE BABU JAGADISH CHANDRA BANERJEE : (i) Will Government be pleased to make a statement as to what they have done to give effect to the recommendations of the Royal Commission on Agriculture, especially in regard to the question of the formation of the Central Jute Committee ?

(ii) Was there a joint conference of the Bengal Chamber of Commerce and the Bengal National Chamber of Commerce in Calcutta on the subject of propaganda in regard to the restriction of jute cultivation ?

(iii) Will Government be pleased to make a statement of the recommendations of this conference in regard to this subject ?

THE HONOURABLE SIR FRANK NOYCE : (i) A report on the progress made in giving effect to the recommendations of the Royal Commission on Agriculture in India is available in the Library of the House. The recommendation of the Commission that a Central Jute Committee should be established has been accepted by the Government of India, who have decided to undertake legislation forthwith for the creation of this Committee. Their conclusions as to the functions of the Committee, its personnel and the manner in which it should be financed have recently been communicated to the Local Governments concerned, who have been asked to submit any criticisms or suggestions which, after consultation with the commercial and other interests concerned, they may have to offer at an early date, in order that Government may proceed with the proposed legislation with the least possible delay.

(ii) Yes.

(iii) A copy of the resolutions passed by the Conference is placed on the table.

Resolutions passed by the Bengal Chamber of Commerce and the Bengal National Chamber of Commerce and other commercial bodies.

1. "Whereas the position of the varied interests connected with jute is admittedly very serious; whereas something should be done to relieve the position and whereas until the Government are consulted and they make known what measures are feasible

from their point of view, it is difficult to arrive at concrete schemes, therefore, this Conference is of opinion that the President be and is hereby requested to invite the Honourable the Finance Member of the Government of Bengal, the Director of Agriculture, the Registrar of Co-operative Societies and the Honourable the Minister in charge of the Department of Agriculture to fix an early date on which they can meet the members at this Conference at Calcutta for the purpose."

2. "This Conference recognises the need for propaganda for the restriction of next year's jute crop and is of opinion that the 'modus operandi' thereof should be decided upon after discussion in the Conference with the Government officials."

3. "In the opinion of this Conference the Government should expedite the formation of the Central Jute Committee recommended by the Royal Commission on Agriculture".

PROGRESS OF CIVIL AVIATION IN INDIA.

7. THE HONOURABLE BABU JAGADISH CHANDRA BANERJEE:

(i) Will Government be pleased to make a statement as to the progress of Civil Aviation schemes in this country?

(ii) Are Government considering the desirability of having an Air Mail service in the country?

(iii) If so, will Government be pleased to make a statement regarding details?

(iv) Are Government considering any schemes in regard to a passenger service by air?

THE HONOURABLE SIR JOSEPH BHORE: (i) I would refer the Honourable Member to the proceedings of the Standing Finance Committee, dated 17th January, 1930, Volume IX, No. 14.

(ii) Yes, provided that the necessary funds can be made available.

(iii) Details will be submitted to the Standing Finance Committee in due course and will subsequently be found in the published proceedings of this Committee.

(iv) Yes.

RECRUITMENT OF THE LOWER SUBORDINATE STAFF ON THE EASTERN BENGAL RAILWAY.

8. THE HONOURABLE BABU JAGADISH CHANDRA BANERJEE:

(i) Will Government be pleased to make a statement regarding the recruitment of the lower subordinate staff on the Eastern Bengal Railway?

(ii) Are there standing orders of the Railway Board directing railway administrations to give preference to candidates from the minority communities in the matter of appointments?

(iii) Will Government be pleased to lay on the table a statement showing the number of subordinate appointments filled up during the past year and the names, qualifications and nationalities of the candidates who have been appointed to these vacancies?

(iv) What steps do Government propose to take to safeguard the interests of the minority communities in Eastern Bengal in the matter of railway appointments?

THE HONOURABLE MR. J. A. WOODHEAD: (i) In the Medical and Traffic Departments of the Eastern Bengal Railway recruitment of lower subordinate staff is made through selection boards and this method is in course of extension to other Departments of the railway.

(ii) No. The general principles followed in the recruitment of subordinate establishment on Railways are —

- (a) Members of all classes or communities possessing the necessary qualifications are eligible for appointment to any branch of railway service.
- (b) When recruitment is conducted by means of competitive examinations one-third of the vacancies should be reserved for the redress of marked communal inequalities. When recruitment is carried on otherwise than by competitive examination steps should be taken to prevent an undue preponderance of any one class or community.
- (c) No candidate should be admitted who does not possess the qualifications laid down as the minimum necessary for the work to be done.

(iii) The information asked for is not available and Government do not consider that its value would be commensurate with the labour and expense of its collection.

(iv) Beyond the application by the Eastern Bengal Railway of the general principles stated in (ii) above, Government do not propose any special safeguards for minority communities in Eastern Bengal.

LOANS TO THE NAWAB OF DACCA.

9. THE HONOURABLE BABU JAGADISH CHANDRA BANERJEE:

1. Will Government be pleased to state if the Nawab of Dacca has taken any loan from the Government of India?

2. If so, will Government be pleased to state the amount of the loan as well as the terms on which the loan was granted?

3. Will Government be pleased to state the year in which the loan was granted as well as the circumstances under which the loan was granted?

4. Will Government be pleased to state the rate of interest of this loan?

5. Do Government borrow money at a rate of interest higher than the rate of interest that this loan carries with it?

THE HONOURABLE SIR FRANK NOYCE: 1. Yes.

2, 3 and 4. The total amount of the loans advanced to the Nawab is Rs. 3,40,000, made up of a loan of Rs. 2,50,000 advanced in 1928 and one of Rs. 90,000 advanced in 1930, at a rate of interest at 3 per cent. per annum.

5. Yes.

THE HONOURABLE SAIYED MOHAMED PADSHAH SAHIB BAHADUR: Is it also a fact that the Government has advanced similar loans to several other persons, as for instance.....

THE HONOURABLE THE PRESIDENT : The Honourable Member must not make a speech of use arguments.

THE HONOURABLE SAIYED MOHAMED PADSHAH SAHIB BAHADUR : I will give an instance.

THE HONOURABLE THE PRESIDENT : The Honourable Member is not asking for information, he is proceeding to give it.

REPAYMENT OF THE LOANS MADE BY THE GOVERNMENT OF INDIA TO THE NAWAB OF DACCA.

10. **THE HONOURABLE BABU JAGADISH CHANDRA BANERJEE :**

1. Was the estate of the Nawab of Dacca brought under the Court of Wards because the Government of India advanced a loan to the Nawab ?

2. Will Government be pleased to state :

(i) Who is the present Manager of the Court of Wards administering the Nawab's estate ?

(ii) Who was the last Manager ?

3. Will Government be pleased to state what amount is paid monthly by the estate towards the repayment of the Government of India loan ?

4. Will Government be pleased to state how long the repayment has been going on at this rate ?

5. Will Government be pleased to state the present income of the estate ?

6. Will Government be pleased to state what was the income of the estate when repayment of the debt at the above rate was begun ?

THE HONOURABLE SIR FRANK NOYCE : The information is being obtained from the Government of Bengal, and will be communicated to the Honourable Member on receipt.

GRANT OF A FRESH LOAN TO THE NAWAB OF DACCA.

11. **THE HONOURABLE BABU JAGADISH CHANDRA BANERJEE :**

1. Do the Government of India propose to grant a fresh loan to the Nawab of Dacca ?

2. If so, will Government be pleased to state the reasons for the loan ?

THE HONOURABLE SIR FRANK NOYCE : 1. No such proposal is under the consideration of Government.

2. Does not arise.

PROVISION OF WAITING ROOMS AT CERTAIN STATIONS ON THE EASTERN BENGAL RAILWAY.

12. **THE HONOURABLE BABU JAGADISH CHANDRA BANERJEE :**

(i) Are there no waiting rooms at terminus stations on the Eastern Bengal Railway at :

1. Goalundo.

2. Sirajganj.

3. Jagānnathganj.

4. Fulchhari-ghat.

5. Bahadurabad ?

(ii) If not, do Government intend to provide accommodation for all classes of passengers at these places at an early date ?

THE HONOURABLE MR. J. A. WOODHEAD : (i) The Agent, Eastern Bengal Railway, reports that at Goalundo there is a third class waiting shed and upper class waiting rooms on the landing stage flat. At Sirajganj and Jagannathganj a steamer is alongside when trains arrive and remains alongside till trains depart. At Fulchhari-ghat and Bahadurabad there are upper class waiting rooms on the landing stage flat. The steamer is usually alongside when trains arrive.

(ii) Government have not received complaints of a lack of accommodation at these places, but I will have a copy of the Honourable Member's question sent to the Agent of the Eastern Bengal Railway, for his consideration.

EFFECTS OF THE CIVIL DISOBEDIENCE MOVEMENT.

13. THE HONOURABLE BABU JAGADISH CHANDRA BANERJEE :
1. Will Government be pleased to make a statement showing the effects of the Civil Disobedience movement on :

- (a) The general revenue administration.
- (b) The excise administration.
- (c) The educational institutions in general ?

2. Will Government be pleased to make a statement as to whether it has resulted in any loss of life ?

3. If so, will Government be pleased to lay on the table a statement with status and the names of places where such deaths took place ?

4. Will Government be pleased to specify how many among those dead are Hindus and how many Muhammadans ?

THE HONOURABLE MR. H. W. EMERSON : 1 and 2. As the Honourable Member will realise it is not possible to make a statement of the nature he contemplates within the limits of a reply to a question. His Excellency the Viceroy dealt with some of the more important results of the Civil Disobedience movement in his speech on the 17th January to which I would invite the Honourable Member's attention.

3 and 4. I lay on the table a statement giving the casualties among the public up to the 31st July, 1930, resulting from firing and also the casualties among the police and military up to the same date. I have called for similar information from Local Governments in respect of the period between 1st August and 30th November last and will communicate it to the Honourable Member in due course.

It should be understood that since this statement relates to casualties from firing only it necessarily understates the casualties resulting from the Civil Disobedience movement.

Statement of casualties.

Provinces.	Casualties among the Public.		Casualties among Police.		Casualties among Military.	
	Killed.	Wounded.	Killed.	Wounded.	Killed.	Wounded.
Madras—		<i>April, 1930.</i>				
Madras City, April 27th.	2	6 (one died subsequently.)	..	..	..	..
Bombay—						
Victoria Terminus, 4th April (Railway strike).	..	7 (one died subsequently.)	..	24	..	..
Bhusaval, 6th April (Railway strike).	*1	*2	..	..	..	..
Kurla, 6th April (Railway strike).	..	1	..	2	..	..
Karachi, 16th April .	1	6 (one of whom died subsequently.)	..	18	..	..
Bengal—						
Calcutta, 1st April .	7	59	..	57	..	..
Calcutta, 15th April .	..	3	..	62 (includes 20 members of fire brigade).	..	..
24 Parganas, 24th April.	1	3	..	12	..	..
Chittagong, 18th, 19th and 22nd April.	10 terrorists.	2 terrorists. (Both died subsequently.)	1	4	3	1
Noakhali (Feni), 23rd April.	..	..	..	3	..	..
Chittagong, 24th April	1 (terrorist).	..	..	..	..	..
North-West Frontier Province (Peshawar), 23rd April.	30 (approximately).	33 (approximately).	..	3	1	9

* These casualties were the result of an accident.

Provinces.	Casualties among the Public.		Casualties among Police.		Casualties among Military.	
	Killed.	Wounded.	Killed.	Wounded.	Killed.	Wounded.
		<i>May, 1930.</i>				
Madras, May, 1930 .	..	2	..	..	..	..
Bombay— Sholapur, 7th May .	..	..	..	31	..	..
Sholapur, 8th May .	12	28	2	30	..	..
Wadla Salt Pans, 24th May.	..	1	..	9	..	..
Bhendy Bazar, 26th and 27th May.	5	67	..	16	..	..
Bengal— Howrah, 6th May .	..	5	..	1	..	..
Chittagong, 7th May.	3 insur- gents and 1 other.	1 insurgent (who died subse- quently) and 5 others (2 of whom died subse- quently).	..	1	..	..
Mymensingh, 14th May.	1	Between 30 to 40.	..	44 (includes 1 Addi- tional Magistrate and 11 Excise staff).	..	..
Midnapur, Gopinath- pur, 20th May.	..	..	..	12	..	..
Dacca, 25th and 27th May (Communal riot).	2	1	..	..	..	..
Lillooah, E. I. Rail- way, 29th May.	..	5	..	..	..	..
Midnapur (Pratap- dighi), 31st May.	2	2	..	..	..	..
United Provinces— Lucknow, 26th May .	1	About 42 (2 died subse- quently).	..	34	..	..

Provinces.	Casualties among the Public.		Casualties among Police.		Casualties among Military.	
	Killed.	Wounded.	Killed.	Wounded.	Killed.	Wounded.
Punjab—		<i>May, 1930—contd.</i>				
Kalu, Jhelum District, May 18th.	..	1	..	..	..	..
Burma—						
Rangoon, last week of May.	5	37	..	29	..	..
North-West Frontier Province.	17	37	1	13	..	1
Delhi, 6th May . .	4	40	..	38	..	..
		<i>June, 1930</i>				
Madras	3	18	..	3	..	..
Bagmari (Midnapur), 1st June, 1930.	2	3	..	6	..	..
Chechuahat (Midnapur), 6th June, 1930.	..	11	2	4	..	..
Narendia (Midnapur), 6th June, 1930.	..	19	..	8	..	..
Fakirhat (Midnapur), 10th June, 1930.	..	1 (died subsequently).	..	1	..	..
Kherai (Midnapur), 11th June, 1930.	..	21	..	10	..	..
Ramnagar (Bakarganj)	..	1	..	1	..	..
North-West Frontier Province.	3	..	..	..	4	5
		<i>July, 1930.</i>				
Madras	2	9	..	..	..	..
Khersai (Midnapur), 2nd July, 1930.	..	1	..	11	..	..
Keshoreganj (Mymensingh).	..	11	..	5	..	..
Saran (Etah), 11th July, 1930.	5	19	..	34	..	..
Amunagar Sarai (Meerut)	1	..	..	..	..	..

Provinces.	Casualties among the Public.		Casualties among the Police.		Casualties among the Military.	
	Killed.	Wounded.	Killed.	Wounded.	Killed.	Wounded.
Jubbulpore, 19th July, 1930.	..	July, 1930—contd. 6	..	83 (Mostly slightly injured by stone throwing.)	..	..
Bombay, 5th July, 1930	2

ALLEGED WITHDRAWAL OF THE SYSTEM OF TRIAL BY JURY FROM CERTAIN AREAS.

14. THE HONOURABLE BABU JAGADISH CHANDRA BANERJEE :
1. Will Government be pleased to make a statement of the areas in which the jury system of trial prevails ?

2. Will Government be pleased to state whether this system has been withdrawn from any particular area during the last four months ?

3. If so, will Government be pleased to make a statement of the places from which this system has been withdrawn ?

THE HONOURABLE MR. H. W. EMERSON : Under sub-section (1) of section 269 of the Criminal Procedure Code Local Governments have full power to declare the areas in which the trial of all offences, or any particular class of offences shall be by jury, and to revoke or alter any such order. Government have no information as to whether any such order has been altered or revoked during the period mentioned by the Honourable Member.

ATTEMPTS ON THE LIVES OF GOVERNMENT OFFICIALS.

15. THE HONOURABLE BABU JAGADISH CHANDRA BANERJEE :
1. Will Government be pleased to make a statement as to the number of Government officials whose lives have been attacked during the current year ?

2. Will Government be pleased to make a statement as to the number of police officials whose lives have been so attacked ?

3. Will Government be pleased to specify the number of deaths—

(i) in the case of police officials ;

(ii) in the case of other officials ?

4. Will Government be pleased to state the number of cases in which the culprits involved in these criminal assaults have been detected and punished ?

5. Are Government in a position to make a statement regarding the reasons which inspired these culprits to make these assaults ?

THE HONOURABLE MR. H. W. EMERSON : 1—4. A statement giving the information as far as available is laid on the table.

5. One may suppose that the outrages were committed in pursuance of a general policy to terrorise officials. It is not possible to say what motive inspired each individual assailant.

Statement of murders or attempts on the lives of Government officials and others since 1st January, 1930.

1 Serial No.	2 Date.	3 Place of occurrence.	4 Number of Police officials.		5 Other officials.		6 Number of persons arrested.	7 Number put on trial.	8 Number convict- ed.	9 Remarks.
			Killed.	Wounded.	Killed.	Wounded.				
1	8th February, 1930.	Multan	..	..	..	..	3	3	1	This was an attempt to wreck a police station. The bombs exploded but the only person injured was one of the conspirators.
2	21st February, 1930.	Jalgaon	..	1 (Sub-In- spector).	..	..	1	1	1	In addition to the Sub-Inspector, Jai Gopal, an approver, was also wounded.
3	14th April, 1930.	Simla	..	..	..	..	..	..	..	A bomb was thrown at a police constable but did not explode.
4	18th April, 1930.	Chittagong	2 (Con- stables).	6 (1 Sub- Inspector 5 con- stables).	4 (Auxiliary Force person- nel).	2 (Railway men).	162	35	Case is <i>sub judice</i> .	The Chittagong Armoury Raid. 17 of the accused are absconding; 1 is in custody awaiting trial.
5	16th May, 1930.	Sibpur, How- rah.	..	..	..	..	8	2	2	A bomb was thrown at the house of a Sub-Inspector, but the inmates were unhurt.

6	19th May, 1930	Multan	..	..	6 (1 Superintendent of Police and 5 constables).	..	..	10	10	8	Thrown at police party accompanying a magistrate engaged in the collection of arrears of water tax. 2 members of the public were also injured.
7	16th June, 1930	Jhang	..	..	2	..	..	4	4	3	Thrown into the police post to avenge dispersal of a meeting of students by the police.
8	19th June, 1930	Rawalpindi, Lahore, Amritsar, Lyalpur, Gujranwala, Sheikhupura.	2	..	4	..	..	26	26	The case is <i>sub judice</i> .	These attacks to murder police officers were carried out by means of "booby" trap bombs. 13 of the accused in the resulting conspiracy case are absconding.
9	8th July, 1930	Howrah	..	..	..	..	..	..	..	..	A bomb exploded in the verandah of the house of a Sub-Inspector of the Detective Department. The man arrested was released for want of evidence. No damage was done.
10	25th July, 1930	Bhiwani, Hisar, Punjab.	..	..	..	..	..	..	..	..	A bomb was thrown into the city police station. No damage done.

1 Serial No.	2 Date.	3 Place of occurrence.	4 Number of Police officials.		5 Other officials.		6 Number of person arrested.	7 Number put on trial.	8 Number con- victed.	9 Remarks.
			Killed.	Wounded.	Killed.	Wounded.				
11	5th August, 1930.	Dalhousie Square, Cal- cutta.	..	1 (Sir Char- les Tegart's driver).	..	..	1	1	1	Attempt on the life of Sir Charles Tegart. In addition to Sir Charles Tegart's dri- ver 5 members of the public were in- jured. See remarks against Serial Nos. 12 and 13 also.
12	26th August, 1930.	Jorabagan Thana, Calcutta.	..	..	..	..	14*	13	8	Serial No. 12.—3 per- sons were injured. Serial No. 13.—In addi- tion to the police con- stables 3 persons were injured.
13	27th August, 1930.	Eden Gardens, Calcutta.	..	1	..	..	..	..	..	Serial Nos. 11—13 formed part of the Jorabagan Explosives case recently tried by a Special Tribunal in Calcutta. *Manoranjan Gupta, an absconding ac- cused, was arrested after judgment was delivered in the case. He will be tried separately.

QUESTIONS AND ANSWERS.

25

14	29th August, 1930.	Dacca.	(Mr. Lowman.)	1	(Mr. Hodson.)	..	..	..	..	A bomb exploded in the house of an Inspector of the Detective Department. The Inspector's 2 brothers were slightly injured.
15	30th August, 1930.	Mymensingh.	..	..	..	..	2	..	..	A bomb exploded in the house of an Excise Sub-Inspector without causing any damage.
16	30th August, 1930.	Mymensingh.	..	..	..	..	..	..	..	A bomb was found by a police inspector on returning to his house. It exploded but did no damage.
17	1st September, 1930.	Peshawar	..	..	..	..	..	..	..	A bomb exploded in the house of the City Inspector but did no damage.
18	1st September, 1930.	Bannu	..	..	..	..	..	..	..	A bomb exploded in the house of the City Inspector but did no damage.
19	7th September, 1930.	Rajshahi, Bengal.	..	..	..	..	6	6	Not known.	A bomb exploded in the house of the City Inspector but did no damage.
20	8th September, 1930.	Benares City (Dungakund police out-post).	..	..	..	..	13	13	The case has not yet come into Court.	A bomb exploded and fatally injured an elderly woman.

1 Serial No.	2 Date.	3 Place of occurrence.	4 Number of Police officials.		5 Other officials.		6 Number of persons arrested.	7 Number put on trial.	8 Number con- victed.	9 Remarks.
			Killed.	Wounded.	Killed.	Wounded.				
21	15th Septem- ber, 1930.	Karachi	..	..	..	..	8	8	The case is <i>sub judice</i> .	A bomb was thrown at the city police station but caused no damage.
22	23rd Septem- ber, 1930.	Khulna Thana, Bengal.	..	(1 Sub- Inspec- tor and 1 head con- stable.)	..	..	19	19	..	A bomb was thrown into the police thana and exploded. The accused were dis- charged owing to lack of incriminat- ing evidence.
23	27th Septem- ber, 1930.	Rawalpindi	..	..	..	..	..	..	..	A bomb was thrown at a police party but no one was injured. Culprits untraced.
24	1st October, 1930.	Benares City	..	..	..	..	..	..	..	A bomb exploded out- side the quarters of the 2nd officer, Vellupura Thana. No damage done.
25	4th October, 1930.	Lahore	1 (Con- stable.)	..	..	..	..	..	..	Attempt on the life of K. B. Abdul Aziz. The actual culprits have not yet been traced.

26	9th October, 1930.	Bombay	..	1 (Sergeant Taylor).	..	10	10	The case is <i>sub judice</i> .	The Lamington Road (Bombay) outrage. Sergeant Taylor and his wife were wounded. Four of the accused are absconding.
27	12th October, 1930.	Lahore	..	..	..	..	..	..	Attempt on the life of Sergeant Smythe, who escaped injury. The culprits have not yet been detected.
28	13th October, 1930.	Jamalpur	..	..	..	2	..	The case has not yet been put into court.	While a Sub-Inspector and constable were watching two absconders, the latter fired at them and made good their escape. Two of their associates were later arrested on suspicion, but the absconders themselves are still at large.
29	31st October, 1930.	Zira police station, Ferozepore.	..	..	..	4	4	The case is <i>sub judice</i> . (under trial).	A bomb was thrown into the compound of the Zira police station, but nobody was injured.
30	1st November, 1930.	Delhi	..	1 (Con-stable).	..	1	..	The case has not yet come into court.	

[11TH FEB. 1931.]

1 Serial No.	2 Date.	3 Place of occurrence.	4 Number of Police officials.		5 Other officials.		6 Number of persons arrested.	7 Number put on trial.	8 Number con- victed.	9 Remarks.
			Killed.	Wounded.	Killed.	Wounded.				
31	4th November, 1930.	Dharampur, Lahore Dis- trict.	..	(Inspec- tor)	..	..	3	2	Case is <i>sub</i> <i>judice</i> .	When the police sur- rounded 2 revolution- aries, the latter attacked them, one with a revolver and one with a knife. As a result of the scuffle which ensued one of the revolutionaries was wounded and died the next day.
32	16th November, 1930.	Qila Didar Singh, Guj- ranwala Dis- trict.	..	..	..	..	..	..	..	A bomb was thrown into the police sta- tion but caused no damage. The cul- prits made good their escape.
33	16th November, 1930.	Gournadi police station, Ba- risal.	..	..	..	..	4 (2 releas- ed later).	Police investigations have not yet been completed.	..	A bomb exploded in the police barracks but did no damage. Enquiries are in pro- gress.
34	21st November, 1930.	Jessore	..	..	..	..	19	19	..	A bomb exploded in the verandah of the District Inspector's office and another in the police kotwali. Enquiries proceeding.

35	28th November, 1930.	Hyderabad, Sind.	..	..	..	..	..	..	..	..	A bomb exploded in the compound of the Deputy Superintendent of Police's bungalow.
36	1st December, 1930	Chandpur, Bengal.	1 (Inspector Tarini Mukharji).	..	..	2	2	Case is <i>sub judice</i>.	..	..	Assassination of Sub-Inspector Tarini Mukharji on Chandpur railway station.
37	1st December, 1930.	Cawnpore	1 (Constable).	2 (A Supdt. of Police and a head constable).	..	..	..	..	..	..	A student of the D. A. V. College, named Salig Ram, was the assassin in this affair. He was shot dead in the course of the struggle.
38	8th December, 1930.	Writers' Buildings, Calcutta.	..	..	1 (Colonel Simpson).	1 (Mr. Nelson).	2	1	Case is <i>sub judice</i> .	..	The assassins were three Bengali youths. One poisoned himself and the other two inflicted serious gunshot injuries on themselves. One dying subsequently.
39	23rd December, 1930.	Lahore	1 (Assistant Sub-Inspector).	1 (Inspector of Police).	..	1 (H. E. the Governor of the Punjab).	13	1	committed to Sessions, 12 recommended to custody pending further enquiries.	..	In addition to the officials, 2 ladies were wounded.
		Total	9	30	5	4	..	..	..	..

LOCATION OF PUNITIVE POLICE IN CERTAIN AREAS.

16. THE HONOURABLE BABU JAGADISH CHANDRA BANERJEE :

1. Will Government be pleased to lay on the table a statement showing the number of places all over India where punitive police have been stationed during the current year, stating the causes that led to their being so stationed ?

2. Will Government be pleased to state who pays the cost for the maintenance of such forces ?

3. Will Government be pleased to state the principle on which the tax for maintenance of such police is levied ?

4. Are Government aware if in the matter of levying the punitive police tax any persons or communities have been exempted from the payment of the tax ?

5. If so, will Government be pleased to state the reasons justifying such incidence of taxation ?

THE HONOURABLE MR. H. W. EMERSON : 1, 4 and 5. I regret that the Government of India are not in possession of the information the Honourable Member wants. The quartering of additional police and exemption of any class or community from payment of the cost are matters entirely within the discretion of Local Governments.

2 and 3. The Honourable Member is referred to sections 15 and 15A of Act V of 1861, section 25 of the Bombay District Police Act, 1890, section 20 of the Madras City Police Act, 1888, and section 24 of the Rangoon Police Act 1899.

LEVY OF A TERMINAL TAX ON PASSENGERS PASSING THROUGH
NARAYANGANJ, GOALUNDO, ETC.

17. THE HONOURABLE BABU JAGADISH CHANDRA BANERJEE.

1. Will Government be pleased to state if it is a fact that a terminal tax is levied on passengers passing through Narayanganj, Goalundo, Sirajganj and Fulchhari-ghat ?

2. Will Government be pleased to state the rate at which this tax is levied ?

3. Will Government be pleased to state the total amount of the terminal tax levied annually at the different places referred to above ?

4. Will Government be pleased to make a statement as to the use to which this money is put ?

THE HONOURABLE MR. J. A. WOODHEAD : 1. A ghat charge (and not a terminal tax) is levied on passengers passing through the stations mentioned.

2. The charge is one anna for a single journey and two annas for return journey on passengers passing through Narayanganj, Sirajganj and Fulchhari-ghat. For passengers passing through Goalundo the charge is twice this rate.

3. The total amount collected during the year 1929-30 was about Rs. 1,54,000.

4. The money collected is utilised towards the expenditure involved in shifting and maintaining the ghats and providing facilities and comforts for passengers.

ACTION TAKEN ON THE RECOMMENDATIONS OF THE CONFERENCES OF THE INSPECTORS-GENERAL OF PRISONS.

18. THE HONOURABLE DIWAN BAHADUR G. NARAYANASWAMI CHETTI GARU : Will Government be pleased to state what action has been taken in regard to the recommendations of the Conferences of the Inspectors-General of Prisons of all provinces held from the year 1925 ?

THE HONOURABLE MR. H. W. EMERSON : Prison Administration is under the Devolution Rules a provincial subject ; subject to legislation by the Indian Legislature. The Government of India have asked Local Governments to take such action as they deemed necessary or where financial considerations were involved practicable in the case of such recommendations as were of purely provincial concern. Those recommendations which involved central legislation, or raised general questions of policy have been examined by the Government of India. The former have been engaging the close attention of the Government of India, but it has not yet been found possible to reach final decisions. The latter have either been disposed of or are under discussion with Local Governments.

RECOMMENDATIONS OF THE CIVIL JUSTICE COMMITTEE.

19. THE HONOURABLE DIWAN BAHADUR G. NARAYANASWAMI CHETTI GARU : Will Government be pleased to state whether and how far the recommendations of the Civil Justice Committee were given effect to ?

THE HONOURABLE MR. H. W. EMERSON : In the case of the recommendations of the Civil Justice Committee in which action was directly within the competence of the Government of India 37 recommendations have been given effect to or are under consideration, and 72 have not been proceeded with. These figures do not include the many recommendations in which action was within the competence of the Local Governments or High Courts or the presiding officers of courts.

LOCAL ADVISORY COMMITTEES OF THE EASTERN BENGAL RAILWAY, THE EAST INDIAN RAILWAY, THE BENGAL NAGPUR RAILWAY AND THE ASSAM BENGAL RAILWAY.

20. THE HONOURABLE BABU JAGADISH CHANDRA BANERJEE :
1. Will Government be pleased to lay on the table a statement showing the names of gentlemen who constitute the Local Advisory Committee of :—

- (a) the Eastern Bengal Railway.
- (b) the East Indian Railway.
- (c) the Bengal Nagpur Railway.
- (d) the Assam Bengal Railway.

2. Will Government be pleased to state the principle on which the selection of these members is based ?

3. Will Government be pleased to state as to who makes these selections ?

THE HONOURABLE MR. J. A. WOODHEAD : 1. I am having a statement placed in the Library giving the names asked for as obtained from information printed in the current Time Tables of the four Railways in question.

2 and 3. The rules governing the appointment of members of Local Advisory Committees vary to some extent on different railways. On State-managed Railways the instructions are that the number of members should be decided by circumstances and should be subject to a maximum of 12, that the Agent should be *ex-officio* chairman and that the remaining members should be constituted on the following lines :—

- (a) Two Local Government members nominated by the Local Government in whose jurisdiction the headquarters of the railway is situated.
- (b) Three representatives of the Legislative Council of the Government in whose jurisdiction the headquarters of the railway in question is situated. These members should be selected to represent rural interests and the travelling public and need not necessarily be members of the Council.
- (c) One member from the local municipality or corporation at the railway headquarters.
- (d) Five members representing industries, commerce and trade. The method of selecting the non-official members is left largely to local discretion, the members representing industries, commerce and trade being ordinarily drawn from important local bodies representing predominant trade interests, and the actual selection of such bodies being made by the Railway Administration in consultation with the Local Government. Once their selection is made, it is left to the local bodies to nominate or elect their representatives. This arrangement has been adopted with certain modifications by the majority of Company-managed Railways.

MOPLAH PRISONERS.

21. THE HONOURABLE DIWAN BAHADUR G. NARAYANASWAMI CHETTI GARU : Will Government be pleased to state :

- (1) the total number of prisoners convicted in connection with the Moplah rebellion in the Madras Presidency in the year 1921 ;
- (2) the number of prisoners who were given the benefit of premature and conditional release in the years succeeding ;
- (3) the number of prisoners still undergoing imprisonment in the various jails in the Madras Presidency and also the Andaman Islands.

THE HONOURABLE MR. H. W. EMERSON : (1) The number of persons convicted in connection with the Moplah rebellion in 1921 was 10,167, of whom 2,347 were still serving their sentences at the end of 1930, the remainder having been released.

(2) I regret that I have not exact figures of premature releases but the information available shows that these exceed 6,000.

(3) 1,541 in jails in the Madras Presidency and 806 in the Andamans.

NUMBER OF POLITICAL DETENUS IN BRITISH INDIA.

22. THE HONOURABLE BABU JAGADISH CHANDRA BANERJEE :
1. Will Government be pleased to lay a statement on the table showing the number of persons detained in British India for alleged political offences ?

2. Will Government be pleased to specify the different nationalities to which they belong, giving definitely the number of persons belonging to each nationality ?

3. Will Government be pleased to state the provisions of law under which these persons have been so detained ?

4. Will Government be pleased to state whether these detenus are treated as ordinary prisoners ?

5. Will Government be pleased to make a statement as to the arrangements that have been made for providing suitable food, comforts and proper sanitary conditions for these detenus ?

6. Will Government be pleased to make a statement if proper facilities are provided to enable these detenus to have interviews with their friends and relations ?

7. Will Government be pleased to state if any newspapers are provided for the use of these detenus ?

8. If so, will Government be pleased to lay on the table a list of such newspapers ?

9. Will Government be pleased to specify how many of these detenus are male and how many female ?

THE HONOURABLE MR. H. W. EMERSON: 1, 2 and 3. I place on the table a statement showing the number of persons detained under Regulations and the Bengal Criminal Law Amendment Act No. VI of 1930 and the nationalities or communities to which they belong.

4, 5, 6, 7 and 8. These persons are subject to a different code of rules and enjoy special concession in the matter of food, clothing and comforts. Adequate facilities for interviews with friends and relations are granted and newspapers are also supplied to them, but I have no information as to what newspapers are actually supplied at the different places.

9. They are all males.

—	Number.	In Jail.	At large. Under surveillance or restricted to certain areas.	Nationality.
(a) Bengal Regulation III of 1818.	46	4	42	3 Muhammadans. 29 Afghans. 1 Sikh. 1 Rajput. 1 Manipuri. 11 Kachins.
(b) Madras Regulation II of 1819.	218	15	203	All Moplahs.
(c) Bengal Criminal Law Amendment Act.	397	*395	2	All except 3 Muham- madans, 1 Jain and 1 Sikh are Hindus.
Total . . .	661	399	262	

* Includes 135 detained under section 2 (1) (d) of the Bengal Criminal Law Amendment Act.

SUPERSESSIONS IN THE GEOLOGICAL SURVEY OF INDIA

23. THE HONOURABLE BABU JAGADISH CHANDRA BANERJEE :

1. Will Government be pleased to state the rules in regard to promotion to higher appointments in the Department of Geological Survey, Government of India ?

2. Has the Public Service Commission recommended that 25 per cent. of promotions to higher appointments should be reserved for men already in the department ?

3. If so, will Government be pleased to state if this recommendation has been given effect to ?

4. Will Government be pleased to state if there have been any cases of supersession in the Department of Geological Survey in contravention of the recommendation of the Public Service Commission ?

5. If so, will Government be pleased to state the grounds on which such supersession has been allowed ?

6. Do Government propose to take steps to see that such supersessions do not happen in future ?

THE HONOURABLE SIR JOSEPH BHOORE : 1. The Honourable Member is apparently referring to the promotion of Sub-Assistants to the grade of Assistant Superintendents in the Geological Survey of India. No specific rules have been framed on the subject but the policy of the Government of India is that, subject to the reservation that no Sub-Assistant will be promoted to the Superior Service unless he is fully qualified for such promotion not less than 25 per cent. of the vacancies occurring in the grade of Assistant Superintendents in the Geological Survey of India should be filled by the promotion of Sub-Assistants.

2. No.

3. Does not arise.

4. No.

5. and 6. Do not arise.

REPRESENTATION OF MUHAMMADANS, HINDUS, ANGLO-INDIANS, ETC., IN THE RAILWAY DEPARTMENT.

24. THE HONOURABLE MR. SYED ABDUL HAFEEZ : Will Government kindly state :

(a) How many Muhammadans, Hindus, Anglo-Indians and persons from other communities are appointed to the clerical and other posts of responsibility in the Government Railway Department in British India ?

(b) Are these posts filled up on the basis of a fixed system of percentage of population or otherwise ?

(c) If on the basis of a percentage system, what are the numbers of posts given to the various communities ; and is this proportionate representation strictly maintained when making appointments ?

THE HONOURABLE MR. J. A. WOODHEAD : (a) Government regret that they are not prepared to supplement with figures for particular classes

of posts the information in regard to communal representation in Railway services given in the Annual Administration Report on Indian Railways.

(b) The policy of Government as regards the recruitment of subordinate establishment on Railways is set forth in Railway Board's letter No. 2395-E., dated 23rd May, 1929, a copy of which is in the Library. This policy is directed towards the prevention of a preponderance of any one class or community in the railway services and not towards representation of communities on any fixed percentage basis.

(c) Does not arise.

GRIEVANCES OF THE STAFF OF CURRENCY OFFICE.

25. THE HONOURABLE MR. G. S. KHAPARDE : Will Government be pleased to state (a) whether the Honourable the Finance Member had a discussion with some Members of the Legislative Assembly in connection with the grievances of the Currency Office staff and, if so, what points were put forward by the Members ?

(b) Were all the points raised in the discussion included in the terms of reference of the Enquiry Committee appointed by the Government ?

(c) If the answer to (b) is in the negative, will Government be pleased to state what points were not included in the terms of reference and the reasons for their non-inclusion ?

THE HONOURABLE SIR ARTHUR MCWATTERS : (a) to (c). In March last the Honourable the Finance Member received a deputation consisting of five Members of the Legislative Assembly on behalf of the Currency staff. The main points discussed were :

- (1) Whether the conditions of pay and service of the clerical staff in the Currency Offices ought to be on a par with those of similar staff in the Accounts Offices.
- (2) Whether the initial pay of the Currency staff was below the minimum living wage.
- (3) Were the shroffs in the Currency Offices fairly treated in the matter of pay having regard to the work which they do in comparison with shroffs employed in private banks.
- (4) Whether the staffs in the Cawnpore, Lahore and Karachi Currency Offices had been fairly treated as regards pay.
- (5) Whether it was possible to give additional relief to existing members of the Currency staff.

The first three points Government undertook to investigate and they were included in the terms of reference of the Enquiry Committee. The fourth point, regarding the rate of increment in the Cawnpore and Lahore Currency Offices and the levelling up of the pay of the Karachi Office to the Bombay standard, was left for examination in the Finance Department without the assistance of the Committee. The fifth point raised a question of principle affecting all Government offices and could not be accepted by Government. It was subsequently decided to make the enquiry a model one, restricted to the Bombay Currency Office and the terms of reference were altered accordingly.

**RECOMMENDATIONS OF THE ENQUIRY COMMITTEE APPOINTED IN CONNECTION
WITH THE STAFF OF CURRENCY OFFICES.**

26. **THE HONOURABLE MR. G. S. KHAPARDE:** Will Government be pleased to state (a) the personnel and terms of reference of the Enquiry Committee appointed in connection with the Currency Office staff and whether their report has been received by the Government?

(b) If the answer to the last portion of the above is in the affirmative, whether the recommendations made by the Committee will be given immediate effect to?

(c) If not, from what date it is proposed to give effect to the recommendations?

THE HONOURABLE SIR ARTHUR MCWATTERS: A copy of the terms of reference as finally adopted is laid on the table. Mr. J. C. Nixon, I.C.S. (formerly Accountant General, Bombay), presided over the Enquiry Committee, the members of which were Mr. A. G. Gray, Manager of the Bank of India, Limited, and Mr. S. N. Pochkhanawala, Managing Director, Central Bank of India, Limited. The report of the Committee has been received and their recommendation for an increase of pay of shroffs in the Bombay Currency Office, which has been accepted by Government and approved by the Standing Finance Committee, will be given effect from the 1st March 1931; similar readjustment in the scales of pay of shroffs in all the Currency Offices being made from the same date.

Terms of reference of the Currency Offices Enquiry Committee.

(a) To examine the nature and quality of the work done by the clerical staff in the Bombay Currency office and in the office of the Accountant General, Bombay; and to report whether the disparity is great enough to justify the existing disparity in pay scales. A comparison should also be made with conditions prevailing for similar staff in the Bombay Customs, Posts and Telegraphs and Mint.

(b) To determine and report with reference to the minimum pay of servants of the local Government in parallel clerical grades, whether the minimum in the Bombay Currency office constitutes a living wage and whether, according to the standards of the Bombay Government the scales are reasonably adopted throughout their course to the style of life of the type of men recruited for the purpose. The Committee will be provided with statements of the clerical pay scales sanctioned by the Bombay Government for offices doing similar work in Bombay.

(c) To examine the conditions of service and amount and responsibility of work done by Bank shroffs in Bombay as compared with the pay scales, quota of work and degree of responsibility of the shroffs in the Currency offices and Mints, and to report whether there is any case for raising the pay of the Currency office shroffs.

ALL-INDIA CURRENCY UNION BULLETIN.

27. **THE HONOURABLE MR. G. S. KHAPARDE:** Will Government be pleased to state (a) whether they are aware of the publications of the All-India Currency Union Bulletin?

(b) If so, whether any action is taken by the officers concerned to remove the complaints described therein?

THE HONOURABLE SIR ARTHUR MCWATTERS: Government are aware of the publication of the Bulletin but in accordance with the ordinary procedure, no action is taken on any point raised therein until it is communicated officially through the prescribed channel.

ABOLITION OF THE TWO APPOINTMENTS OF DEPUTY CONTROLLERS OF THE CURRENCY IN INDIA.

28. THE HONOURABLE MR. G. S. KHAPARDE : Will Government be pleased to state (a) whether there were three offices of the Deputy Controller of the Currency in India ?

(b) Whether one of them has now been abolished and whether any saving was thereby effected ?

(c) Will Government be pleased to state what will be the annual saving if the remaining two offices are abolished ?

THE HONOURABLE SIR ARTHUR McWATTERS : (a) Yes.

(b) The post of Deputy Controller of the Currency, Northern India, was abolished in July 1928. The annual saving is roughly Rs. 44,000.

(c) This part of the question apparently contemplates the abolition of the two offices and not merely the abolition of the posts of the Deputy Controllers. It would be quite impossible to do without the administrative work done by these offices and I am unable to see how any other suitable arrangements could be made. It is impossible to estimate savings in a hypothetical contingency which could never arise.

EXPORTS AND IMPORTS OF AGRICULTURAL PRODUCTS DURING THE LAST FIVE YEARS.

29. THE HONOURABLE RAJA RAGHUNANDAN PRASAD SINGH : Will Government be pleased to lay on the table a comparative statement showing the quantity and value of the exports and imports of various agricultural products during the last five years including the current financial year ?

THE HONOURABLE MR. J. A. WOODHEAD : The Honourable Member is referred to the Annual Statements and Monthly Accounts of the Sea-borne Trade of British India, copies of which are in the Library.

PERIOD FOR THE RETENTION OF VALUE PAYABLE PARCELS IN POST OFFICES.

30. THE HONOURABLE RAJA RAGHUNANDAN PRASAD SINGH : Has Government considered the advisability of cancelling the reduction of the period of V. P. Ps. remaining in post offices from 10 to 3 days for delivery ?

THE HONOURABLE SIR JOSEPH BHOORE : The Government have received several representations on the subject, and they are giving their careful consideration to them.

RUNNING OF AN EXPRESS TRAIN *via* THE LOOP LINE FROM HOWRAH TO NEW DELHI.

31. THE HONOURABLE RAJA RAGHUNANDAN PRASAD SINGH : Do Government propose to run an express, or faster train than hitherto, from Howrah to New Delhi *via* the Loop line, for the convenience of passengers ?

THE HONOURABLE MR. J. A. WOODHEAD : It is not possible for Government to take any part in the arrangement of time tables. Copies of the question and of this answer will be sent to the Agent, East Indian Railway.

RESTORATION OF DRY COWS TO A MILK-BEARING CONDITION.

32. THE HONOURABLE RAJA RAGHUNANDAN PRASAD SINGH : With reference to the Honourable the Home Member's remarks made in course of the debate in the Legislative Assembly on 22nd January, 1930, will Government be pleased to state whether they have since considered the question of "cows which have ceased to be milk-bearing in cities and which might be restored to a milk-bearing condition"?

THE HONOURABLE SIR FRANK NOYCE : The Imperial Council of Agricultural Research are collecting data as to the rates at which it is a paying proposition to transport the milch cows which are at present slaughtered in the cities after one lactation back to stock raising districts.

INCOME OF THE KANGRA VALLEY RAILWAY.

33. THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : Will Government kindly state :

- (a) what was the income during the year ending 31st March, 1930, of the Kangra Valley Railway from (1) coaching, (2) carriage of goods of the Mandi Hydro-Electric Scheme, (3) carriage of goods other than of the Mandi Hydro-Electric Scheme ;
- (b) what, allowing for the guarantee of the Punjab Government, has been the nett income of this Railway during this period after deducting the cost of working and interest on capital ?

THE HONOURABLE MR. J. A. WOODHEAD : The Agent of the North Western Railway has been asked for this information and it will be sent to the Honourable Member as soon as it is received.

EXPENDITURE ON THE INDIAN STATE RAILWAYS CENTRAL PUBLICITY BUREAU.

34. THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : (i) Will Government kindly state what has been the total cost of maintaining the Publicity Department of the Indian State Railways firstly, in India and secondly, overseas ?

(ii) What has been the special increase in revenue from first and second class fares attributable to the work of this Department ?

THE HONOURABLE MR. J. A. WOODHEAD : (i) The figures for the Indian State Railways Central Publicity Bureau for the year 1929-30 which are, I think, what my Honourable friend requires, are as follows :

- (a) *In India*---a net amount of Rs. 5,62,987 ; namely, Rs. 7,98,582,
less receipts of Rs. 2,35,595.
- (b) *Overseas*—Rs. 2,47,370.

(ii) I am afraid it is not possible to say exactly what increase in the first and second class passenger fares was obtained as a result of this expenditure, which was not, of course, entirely on encouraging first and second class passenger traffic. But owing to the general trade depression and the political situation in India, it is certain that the results were not as good as they might otherwise have been. It is known that many tourists cancelled their trips to India which they had arranged to make in January, February and March, 1930.

CONCESSIONS GRANTED TO THE ARMY DEPARTMENT BY THE INDIAN STATE RAILWAYS.

35. THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS:

(i) What was the total sum of the usual concessions given to the Army Department on each of the Indian State Railways, (a) in passenger fares and (b) in goods freight, for the year ending 31st March, 1930?

(ii) Will Government kindly state whether there is any contract for any definite period between the State Railways and the Army Department about concessions in fares and freights; if so, for what period?

(iii) Will Government kindly state whether it is intended to continue these concessions on State Railways during ensuing years?

THE HONOURABLE MR. J. A. WOODHEAD: (i) I would refer the Honourable Member to the reply given in another place to a question asked by Mr. K. C. Neogy on the 25th September, 1929, where the position was fully explained. Any attempt to ascertain the difference in revenue involved by the quotation of special rates and fares for military traffic would be a very lengthy and somewhat expensive undertaking, and I do not think it could result in any accurate figure of the financial value of the concessions being ascertained.

(ii) There are contracts for definite periods between the Secretary of State and the State-owned Railways worked by companies regarding the charge of special rates for military traffic. These periods vary in the case of different railways.

(iii) Government do not at present propose to discontinue charging special rates for military traffic.

TOTAL SAVINGS DUE TO THE INTRODUCTION OF THE DIVISIONAL SYSTEM ON EACH OF THE STATE RAILWAYS.

36. THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Will Government kindly state what has been the total saving effected on each of the State Railways by introduction of the Divisional System? What was the total number of officers and their salaries before this system was adopted and what is it now, on each of the State Railways?

THE HONOURABLE MR. J. A. WOODHEAD: An investigation is being made into the advantages which have resulted from the introduction of a divisional organisation on the North Western, East Indian and Great Indian Peninsula Railways, and a statement of the financial effect will be sent to the Honourable Member later.

I am sending the Honourable Member a statement giving the information he asks for in the latter part of his question.

REDUCTION IN RAILWAY FREIGHTS ON AGRICULTURAL PRODUCE IN EACH OF THE STATE RAILWAYS.

37. **THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS:** Will Government kindly lay on the table of this House a statement showing, in detail, the reduction in rates of railway freight on agricultural produce on each of the Indian State Railways as a result of the recommendations of the Royal Commission on Agriculture ?

THE HONOURABLE MR. J. A. WOODHEAD: The Royal Commission on Agriculture did not make any specific recommendation for a reduction in railway freight rates on agricultural produce. I am, however, laying on the table a statement showing the actual recommendations made regarding freight rates for agricultural produce and the action taken thereon.

Report of the Royal Commission on Agriculture.		Action taken.
Paragraph.	Extract.	
219 (Chap. VIII).	As the quality of his cattle improves, we anticipate that the present disinclination of the cultivator to purchase fodder may disappear and that an active demand for it may arise. Railways should encourage this change of attitude on the part of the cultivator by offering the lowest rates for the transport of fodder compatible with their position as profit earning concerns.	<p>The views of the Royal Commission on Agriculture were communicated to the Indian Railway Conference Association who recorded thereon the following resolution :—</p> <p>“ Railways have given this matter their close attention, and the majority are already carrying fodder at low schedule rates. The recommendations of the Royal Commission should be borne in mind. ”</p> <p>The Railway Board have examined the rates now being charged for fodder over the principal railways and are satisfied that on most railways these rates are on so low a basis that there is no scope for a reduction. They are, however, continuing their examination of this question with a view to taking such action as may be considered desirable.</p>
313 (Chap. XI).	We are not inclined to accept the view that rates are generally too high, but we recommend a periodical revision of rates with a view to the adjustment of their incidence as between various sorts of produce according to their relative ability to bear and that arrangements should be made by the Railway Board for this purpose.	<p>The views of the Royal Commission on Agriculture were communicated to the Indian Railway Conference Association who recorded thereon the following resolution :—</p> <p>“ Recommendation to be noted. ”</p> <p>Railways constantly have under examination the incidence of their freight rates on all commodities carried by them and make adjustments therein as circumstances require, from time to time.</p>

COMMUNAL REPRESENTATION IN THE RECRUITMENT OF LABOURERS, ETC., IN WORKSHOPS AND FACTORIES UNDER THE CONTROL OF THE GOVERNMENT OF INDIA.

38. THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Will Government kindly state whether communal representation is observed in the recruitment of labour for Government workshops and factories and of the menial services including State Railways? If not, why not?

THE HONOURABLE SIR JOSEPH BHOORE: No orders having general application to all workshops and factories under the control of the Central Government have been issued on the subject of communal representation in the recruitment of labourers and inferior servants employed therein. No necessity has arisen for the issue of such general orders.

TOTAL AMOUNT OF INCOME-TAX AND SUPER-TAX REALISED DURING THE YEARS ENDING 31ST MARCH, 1929, AND 31ST MARCH, 1930.

39. THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Will Government kindly state the total amount of Income-tax and Super-tax realised in India during the years ending 31st March, 1929, and 31st March, 1930?

THE HONOURABLE SIR ARTHUR McWATTERS:

			Lakhs.
Income-tax	1928-29	.	11,90
	1929-30	.	12,17
Super-tax	1928-29	.	4,80
	1929-30	.	4,53

NUMBER OF BORSTAL SCHOOLS IN THE VARIOUS PROVINCES,

40. THE HONOURABLE DIWAN BAHADUR G. NARAYANASWAMI CHETTI: Will Government be pleased to state the number of Borstal Schools established in the various provinces with their places of location?

THE HONOURABLE MR. H. W. EMERSON: There are Borstal Schools in Tanjore and Palamcottah in the Madras Presidency, Bankura in the Bengal Presidency, Lahore in the Punjab, Narsingpur in the Central Provinces and Insein in Burma. A modified form of Borstal system has been introduced at Dharwar Juvenile Jail in the Bombay Presidency.

ACTION TAKEN UNDER THE PRESS ORDINANCES

41. THE HONOURABLE MR. SATYENDRA CHANDRA GHOSE MOULIK: (i) Will Government be pleased to lay on the table a complete statement showing the names of papers, periodicals, monthlies, etc., from whom security under the Press Ordinance, promulgated on the 27th April, 1930, had been demanded and how many had suspended publication on account of the said demand?

(ii) Will Government be pleased to lay on the table a statement showing the names of papers, periodicals, magazines, etc., as also of printing presses from whom security has been demanded under the newly promulgated Press Ordinance?

THE HONOURABLE MR. H. W. EMERSON: The information is being obtained and will be supplied to the Honourable Member in due course.

PROPORTION OF INDIANS AND ANGLO-INDIANS EMPLOYED ON STATE RAILWAYS.

42. THE HONOURABLE MR. SATYENDRA CHANDRA GHOSE MOULIK: Will Government be pleased to lay on the table a statement showing the proportion of Indians and Anglo-Indians employed in the different departments of the State Railways in India?

THE HONOURABLE MR. J. A. WOODHEAD: I would refer the Honourable Member to the statements at pages 58 and 59 and Appendix 'F' in Volume I, and to Appendix 'C' in Volume II, of the Railway Board's Report on Indian Railways for 1929-30, copies of which are in the Library of the House.

EXPENDITURE OF THE CENTRAL BANKING ENQUIRY COMMITTEE.

43. THE HONOURABLE MR. SATYENDRA CHANDRA GHOSE MOULIK: Will Government be pleased to state the expenditure already incurred in connection with the Central Banking Enquiry Committee?

THE HONOURABLE SIR ARTHUR McWATTERS: The total expenditure of the Indian Central Banking Enquiry Committee till the end of December, 1930, is Rs. 2,69,261-1-3.

EXPENDITURE INCURRED IN CONNECTION WITH THE ROUND TABLE CONFERENCE.

44. THE HONOURABLE MR. SATYENDRA CHANDRA GHOSE MOULIK: Will Government be pleased to state the amount of expenditure incurred in connection with the Round Table Conference?

THE HONOURABLE SIR BROJENDRA MITTER: The expenditure incurred in India in connection with the Round Table Conference is approximately Rs. 1,96,796-6 but no information is at present available as to the expenditure incurred in England as the charges will be finally adjusted in the Home Accounts.

PROCEDURE FOR THE CONSIDERATION OF MATTERS EMERGING FROM THE DISCUSSIONS OF THE ROUND TABLE CONFERENCE.

45. THE HONOURABLE MR. SATYENDRA CHANDRA GHOSE MOULIK: Will Government be pleased to state if they intend to hold conferences in India to settle questions referred to in the speech delivered by the British Premier in bringing the Round Table Conference to a close?

THE HONOURABLE SIR BROJENDRA MITTER: The whole question of future procedure for the consideration of matters emerging from the discussions of the Round Table Conference is at present under the consideration of His Majesty's Government and until a decision is reached, Government are unable to make any statement on the subject.

RELIEF OF AGRICULTURAL DISTRESS.

46. THE HONOURABLE RAI BAHADUR LALA JAGADISH PRASAD : (a) Has the attention of Government been drawn to the agricultural depression prevailing in the country ?

(b) If so, what measures, if any, are under the contemplation of Government with a view to relieve the present agricultural distress ?

(c) Does Government contemplate adopting any of the following measures :

- (i) the stoppage of the import of wheat to India,
- (ii) the imposition of a duty on imported wheat,
- (iii) a reduction in the railway rates on wheat,
- (iv) a revision of the exchange ratio ?

(d) Is the shipping freight on wheat from Australia to Indian ports less than the railway freight from the Punjab to Calcutta and other Indian ports ?

(e) Is it the intention of Government to reduce the railway freight on wheat from the Punjab to Calcutta and other Indian ports ?

THE HONOURABLE SIR FRANK NOYCE : (a) Yes.

(b), (c) and (e). I presume that the Honourable Member is referring to action by the Government of India. As regards reduction of railway freights, I would refer him to the Press Communiqué, dated November 17th, 1930, relating to the reduction in the rates on wheat from the Punjab and the United Provinces to Karachi and the Press Communiqué of January 29th, 1931, relating to the reduction in the rate from the Punjab to Calcutta. I place copies of these communiqués on the table of the House. As regards the stoppage of the import of wheat into India or the imposition of a duty on imported wheat, I would remind the Honourable Member that the total production of wheat in India in 1929-30 was estimated at 10,353,000 tons. The imports of foreign wheat into India, mainly from Australia, during the current fiscal year up to January 24th amounted to 110,884 tons, as compared with 268,935 tons for the same period in the previous fiscal year. The total imports have thus been very small indeed compared with the total Indian production and have been more than counterbalanced by exports of wheat amounting to 193,606 tons and export of flour up to December, 1930, amounting to 36,743 tons. In these circumstances, Government consider that the prohibition of the import of wheat or the imposition of a duty on imported wheat would have had no effect on the internal prices of wheat and would not, therefore, have assisted the cultivator. At the best, it could only have helped Indian wheat to replace the Australian wheat which, but for it, might continue to be imported. The situation in regard to imports is, however, being carefully watched. The reply to that part of the Honourable Member's question which relates to the exchange ratio is in the negative.

(d) Present sea freights for wheat from Australian ports to Bombay are lower than the combined railway and sea freights from the Punjab to Bombay and present sea freights for wheat from Australian ports to Calcutta are lower than the railway freights from the Punjab to Calcutta.

This comparison does not, of course, take into account railway freight in Australia which is necessarily one of the elements of cost in placing Australian wheat on the Indian market.

Communiqué, dated 17th November, 1930.

The existence in India of a large surplus of wheat, estimated at not less than a million tons, which even at the low prices at present prevailing is unable to find a market either within or outside India, has been engaging the anxious consideration of the Government of India, and neither they nor the Railway Board have failed to realise the serious effect on railway earnings of the loss of the traffic which in more normal conditions might reasonably be expected in this commodity. It seems possible that, if movement by rail to Karachi is substantially cheapened during the period before the large wheat crops anticipated in Australia and the Argentine come on the market early next year, some portion at any rate of the surplus Indian crop may be absorbed by export; and the North Western and East Indian Railway administrations have, therefore, decided, with the approval of the Government of India and the Railway Board, that the following reductions should be brought into force immediately, and remain in force until the 28th February, 1931 :—

On the North Western Railway.—In place of the present C/K Schedule, the C/R Schedule will apply to traffic booked to Karachi in full wagon loads for distances over that railway of not less than 600 miles. The differential rule as regards distance will apply for distances less than 600 miles.

On the East Indian Railway.—In place of the existing C/B and C/M Schedules, the C/Q Schedule will apply to traffic booked to Karachi in full wagon loads, except traffic originating at stations on the Bombay, Baroda and Central India Railway, the Bengal and North Western Railway, and the Rohilkund and Kumaon Railway.

As an illustration of the effect of this reduction, the freight per maund from Lyallpur to Karachi will be 6 annas 10 pies, instead of 11 annas 8 pies at present charged.

The results of this action, and the future position of the wheat market in India will be closely watched by the Government of India.

Communiqué, dated 29th January, 1931.

The Government of India have given very careful consideration to representations that have been made to them that some part of the existing surplus of Indian wheat would find a market in Calcutta if railway freights from the Punjab to Calcutta were reduced. Their investigations do not lead them to anticipate that any feasible reduction in freight rates would result in so substantial an increase in the movement of wheat from the Punjab to Calcutta that there would be no net loss to railway revenues; but they have arranged with the Punjab Government that the Railway Administrations concerned will grant from 1st February, 1931, until the 31st of March, 1931, a rebate of one-third of the freight on all consignments of wheat booked to Calcutta from all stations in the Punjab. The cost of this rebate will be borne by the Punjab Government but will be refunded to them, should the grant of the rebate be followed by a substantial increase in the tonnage of wheat imported by rail into Calcutta.

NUMBER OF PROSECUTIONS UNDER THE CHILD MARRIAGE RESTRAINT ACT.

47. THE HONOURABLE RAI BAHADUR LALA JAGADISH PRASAD : (a) How many prosecutions have been made under the Child Marriage Restraint Act (Sarda Act) since its enforcement ?

(b) Have a number of marriages taken place in contravention of the provisions of this Act without any action being taken ?

(c) If so, what steps, if any, does Government propose to take to make the enforcement of the Act more effective ?

THE HONOURABLE MR. H. W. EMERSON : (a) The information is being collected and will be supplied to the Honourable Member in due course.

(b) Government have no reason to suppose that action has not been taken on any complaint filed in accordance with the provisions of the Act.

(c) Does not arise.

• GRANTS TO THE BENARES HINDU UNIVERSITY.

48. THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD: (a) What recurring grant does the Government of India annually give to the Benares Hindu University?

(b) Has the Government of India decided to give, besides the annual recurring grant, a non-recurring grant of rupees fifteen lakhs to the University in three annual instalments of rupees five lakhs each to relieve the University of its financial difficulties?

(c) Has the grant for the current year been withheld by Government?

(d) If so, which of the two grants, recurring or non-recurring, has been withheld? Or have both been withheld? And for what reasons?

THE HONOURABLE SIR FRANK NOYCE: (a) Rs. 3 lakhs.

(b) The Government of India sanctioned a non-recurring grant of Rs. 15 lakhs, payable in 3 three instalments, viz., Rs. 3 lakhs in 1929-30 and Rs. 6 lakhs in each of the years 1930-31 and 1931-32.

(c) and (d). Orders have issued for the payment of the first instalment of the annual recurring grant for the current financial year to the University. The second instalment will be paid in March next. The second instalment of the non-recurring grant which is due this financial year will be paid as soon as the University authorities have satisfied Government that the stipulation in regard to reduction of indebtedness which was laid down when the grant was sanctioned has been complied with.

VISIT OF SIR ARTHUR SALTER TO INDIA.

49. THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD: (a) Has the Government of India invited Sir Arthur Salter to consult him regarding certain plans of Government in respect of an economic reorganisation of the country?

(b) If so, what are those plans?

(c) Will Government please place before the House all the proposals on which Sir Arthur Salter has been consulted as well as a report of his advice thereon?

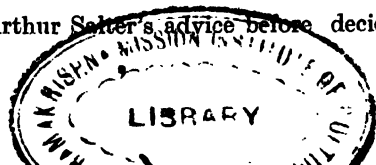
(d) Does Government propose setting up an organisation to study current economic developments and to suggest measures for the amelioration of the present economic distress?

(e) What amount of expenditure will be incurred by the Government of India on Sir Arthur Salter's visit?

THE HONOURABLE MR. J. A. WOODHEAD: (a), (b) and (e). The attention of the Honourable Member is invited to the Press Communiqués issued by the Government of India on the 30th December, 1930, and 14th January, 1931, copies of which have been placed in the Library.

(c) A copy of Sir Arthur Salter's report when published will be placed in the Library.

(d) Government are awaiting Sir Arthur Salter's advice before deciding what action to take.



TRADE DEPRESSION.

50. THE HONOURABLE MR. ABU ABDULLAH SAIYID HUSSAIN IMAM: (a) Has the attention of Government been drawn to the depression of trade? What step does Government propose to take to improve trade?

(b) Does Government propose to take any action to improve the export trade in food grains and jute in order to ameliorate the condition of cultivators?

THE HONOURABLE MR. J. A. WOODHEAD: (a) Yes. The real causes of the present trade depression are unfortunately beyond the control of the Government of this country.

(b) The action which Government have found it possible to take is indicated in the Press Communiqués issued by the Government of India on the 17th November, 1930, and the 29th January, 1931, announcing reductions in the railway freights for wheat to Karachi and from the Punjab to Calcutta to which I invite the Honourable Member's attention.

DESTRUCTION OF THE TEMPLE OF RAGHUNATH JI IN PESHAWAR.

51. THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD: (a) Has the attention of Government been drawn to a resolution passed by the All-India Sanatan Dharam Maha Sabha Conference at its session recently held at Allahabad, as published in the *Leader* of January 23, 1931, protesting against the order of the District Judge of Peshawar regarding the destruction of the temple of Raghunath ji (Raghunath mandir) in Peshawar, and requesting the Governor General of India, and the Chief Commissioner of the North-West Frontier Province, to withdraw the order?

(b) What was the order of the District Judge of Peshawar referred to above, and what were the circumstances under which the said order was passed?

(c) Has the said order resulted in wounding the religious sentiments of Hindus all over the country?

(d) What action does Government propose to take in regard to the said order in deference to Hindu sentiment?

THE HONOURABLE SIR CHARLES WATSON: (a) Yes.

(b) A copy of the order of the District Judge, Peshawar, and of the order in appeal by the Bench of Judicial Commissioners upholding the order of the District Judge, have been forwarded to the Honourable Member.

(c) On this point Government on the information at its disposal is not in a position to express an opinion.

(d) The case is still *sub judice*, but I would invite the Honourable Member's attention to the communiqué issued by the North-West Frontier Province Administration, of which a copy has been given to the Honourable Member.

ALLOTMENT OF QUARTERS TO MEMBERS OF THE LEGISLATIVE ASSEMBLY AND THE COUNCIL OF STATE.

52. THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD: (a) How many orthodox and unorthodox quarters are there for allotment to

the Members of the Legislative Assembly and the Council of State separately for their use during the Sessions of the Central Legislature at Delhi and Simla, respectively ?

(b) Is the number of such quarters at Delhi and Simla, respectively, sufficient to meet the requirements of all such Members who choose to reside in Government quarters ?

(c) Have all the Members, who have chosen to reside in Government quarters, been provided with such quarters during the last five years ?

(d) How many Members, if any, have been refused allotment of quarters during the years 1926, 1927, 1928, 1929, 1930 and 1931, respectively ?

(e) How many orthodox quarters have been allotted for the use of the Members of the Legislative Assembly and the Council of State respectively at Delhi during the current Session of the Central Legislature ?

(f) If the answer to (b) is in the negative, do Government intend making a sufficient number of quarters available for the use of the orthodox Members of the Central Legislature ?

THE HONOURABLE SIR BROJENDRA MITTER : (a) The number of orthodox and unorthodox quarters available for allotment to Members of the Legislative Assembly and Council of State is as follows :

	Simla.	Delhi.
Legislative Assembly—		
Orthodox	37	49
Unorthodox	16	32
Council of State—		
Orthodox	12	13
Unorthodox	6	13

(b) Practical experience in the past has shown that there are sufficient quarters in Simla to meet requirements but there is a shortage of orthodox quarters in Delhi.

(c) The answer is in the negative.

(d) No figures are available for the year 1926.

In 1927 four Members were nprovided for.

In 1928 there appear to have been 23 Members unprovided for.

In 1929 and 1930 all Members who applied were accommodated.

In 1931 there are still 18 Members to be provided for.

(e) 49 orthodox quarters have been allotted for the Legislative Assembly and 13 for the Council of State during the current Delhi Session.

(f) No additional accommodation is at present under consideration.

EMPLOYMENT OF BIHAREES IN THE INDIAN ARMY, ETC.

53. THE HONOURABLE MR. ABU ABDULLAH SAIYID HUSSAIN IMAM : (a) What is the number of Biharee soldiers in the Indian Cavalry and Infantry ?

(b) What is the number of Indians holding King's Commission, and how many of them are Biharees ?

(c) What is the number of Indians holding Viceroy's Commission and how many of them are Biharees ?

(d) What is the usual number of European and Indian soldiers stationed in the Province of Bihar and Orissa.

HIS EXCELLENCY THE COMMANDER-IN-CHIEF : (a) 3 in the Cavalry and 80 in the Infantry.

(b) 105. Only one of these is known to be a Biharee.

(c) The sanctioned establishment of Viceroy's commissioned officers in the Regular Army is 3,899. The information desired in the latter part of the question is not available and cannot, I am afraid, be readily obtained. But the number must be quite small.

(d) About 800 British soldiers. No Indian soldiers are stationed in this province.

APPOINTMENT OF THE BOUNDARIES COMMISSION.

54. THE HONOURABLE MR. ABU ABDULLAH SAIYID HUSSAIN IMAM : (a) Has Government taken any step to give effect to paragraph 21 of the Government of India despatch on Reforms about the Boundaries Commission ?

(b) If the answer to (a) be in the negative, will Government be pleased to state when the Boundaries Commission will be appointed ?

THE HONOURABLE SIR BROJENDRA MITTER : (a) Government have not received the decisions of His Majesty's Government on the proposals contained in this paragraph and have therefore not yet taken any steps to give effect to the proposals.

(b) In view of the position stated in part (a) Government are unable to give a categorical answer to the question.

TOMB OF KING KUTUBUDDIN AIBUK AT LAHORE.

55. THE HONOURABLE MR. ABU ABDULLAH SAIYID HUSSAIN IMAM : (a) Is the tomb of King Kutubuddin Aibuk at Lahore under Government control under the Ancient Monuments Act ?

(b) Is it in a dilapidated and disreputable condition ?

(c) Does Government intend to improve its condition ?

THE HONOURABLE SIR FRANK NOYCE : (a) Yes.

(b) No.

(c) Does not arise.

RESOLUTION RE FUTURE CONSTITUTION OF THE COUNCIL OF STATE.

THE HONOURABLE MR. ABU ABDULLAH SAIYID HUSSAIN IMAM (Bihar and Orissa : Muhammadan) : Sir, in rising to move this Resolution, I crave the indulgence of the Chair and of the House to overlook the shortcomings of a new Member. My advocacy may not be brilliant, my reasons may

not be bright and my delivery may not fit the standards of this august House. But, nevertheless, I appeal to you to look to the substance of the Resolution and if it meets with your approval to accord it your support.

I wish to say at the outset that my Resolution is not happily worded. As there will be no Council of State as such in the future, I suppose the discussion on my Resolution will be academic.....

THE HONOURABLE THE PRESIDENT: The Honourable Member is probably unaware that the rules of the House require him to begin his speech by formally moving his Resolution in the terms on the paper. He has not yet moved his Resolution.

THE HONOURABLE MR. ABU ABDULLAH SAIYID HUSSAIN IMAM :
I move the Resolution :

"That this Council recommends the Governor General in Council to intimate to the Secretary of State for India and the Prime Minister the following :—

- (a) That this House does not favour indirect election for the Council of State.
- (b) That this House favours the retention of the present electorate.
- (c) That this House recommends that the total number of Members be increased to 120.
- (d) That this House recommends that the number of the elected Members be 80, and of the nominated 40."

This House as at present constituted has always accorded its support to the Government in all their reasonable proposals. As we represent the stable element in the country and those who have a stake in it, naturally we have tried to help the Government whenever they have been in difficulties. Now it seems strange that our support should be requited in such a manner that our very basis of election is being changed. The Government have already tried the system of direct election to this House with satisfaction during the last ten years as is evident from the Government of India despatch. I cannot understand the reasons that prompted them to forego the benefits of a tried thing for the visionary good that may accrue from indirect election.

I should like to draw the attention of the House to the two models of Senate that exist in the British Empire. One is in Canada, which is wholly nominated, and the other is in Australia which is wholly elected. South Africa has also got a Senate, but as it is a Union and not a Federation, therefore I leave it out of consideration. I wish to deal with my Resolution item by item. The first item of my Resolution is that this House recommends direct election for the Council of State. I note with pleasure that all the Local Governments with the exception of Bombay and the Central Provinces have recommended direct election for the Council of State, as mentioned in the Government of India despatch, Volume I. As regards the franchise, all the Provincial Governments, with the exception of the Central Provinces, Bombay and the British element of the Government of Bihar and Orissa, support the present electorate. The Indian Central Committee which had the privilege of considering all the opinions adduced before the Indian Statutory Commission has supported direct election, in paragraph 131 of its report. As will be fresh in the memory of the Honourable Members, the Indian Central Committee consisted of four Members of this House and five Members of the other House, and I am glad to say that all the Members without any difference of opinion agreed to direct election from the present electorate. As far as I have been able to follow the report, none of these Members have opposed direct election to the Council of State. In face of this unanimity we have only the adverse

[Mr. Abu Abdullah Saiyid Hussain Imam.]

criticism of the Indian Statutory Commission on direct election. Along with the Assembly, they recommended indirect election to the Council of State. The Government of India in paragraphs 144-45 of their despatch have accepted indirect election in deference to the recommendations of the Indian Statutory Commission and in total disregard of the views of Provincial Governments. This acceptance of indirect election is hedged in by two safeguards by the Government of India, namely, that the rights of the minorities will not be prejudiced and that the proposal will commend itself to public opinion. Since the publication of the Government of India despatch, public opinion has not veered round in favour of indirect election, rather, direct election is being favoured by this country. In face of all this material evidence I hope the Government of India will revert to their original preference and will boldly discard indirect election and retain the present electorate. The present franchise of the Council of State includes past as well as present M. L. Cs. and M. L. As. ; by discarding the present system we will be disenfranchising all the M. L. As. and the *ex-M. L. Cs.* altogether. We want to enfranchise more and more people for the local Councils and the Federal Assembly, and in the same breath we want to restrict it for the Council of State. It does not seem consistent that we should want to enfranchise more people in the case of one Legislature and restrict the franchise further in the case of the other. At the Round Table Conference the recommendation for indirect election to the Assembly was turned down, but for this House it was accepted because this House was not as effectively represented as the Assembly was. Turning to item (c), I may at the outset state that the inclusion of representatives of Indian States in the Council of State was not a decided factor at the time when I sent in the notice of this Resolution. Therefore my recommendation is only for British India. The Round Table Conference has already accepted 150 as the strength of the House, and therefore this part of my Resolution will commend itself to the House without any comment on its merits. The real contentious point is item (d), in which I ask the House to recommend a reduction in the proportion of nominated Members. The Bombay and Punjab Local Governments have supported this view, that the number of elected Members should be increased. With the passage of time the demand for popular representation and the elimination of nominations has gathered strength. In view of the fact that the Government has eliminated the official block in the Assembly, it would be quite in line with that policy if they were to see their way to reducing the proportion of nominated Members from 45 to 33 per cent. for this Council.

With these few words, Sir, I move the Resolution.

THE HONOURABLE SIR BROJENDRA MITTER (Law Member): Sir, for all practical purposes the Resolution which has just now been moved is academic. It deals with the question of altering the existing Council of State. Clause (a) of the Resolution deals with the method of election ; clause (b) deals with the electorate ; clause (c) deals with the number of Members and clause (d) deals with the proportion between the elected and the nominated Members. Sir, it would be unprofitable, I submit, to discuss these interesting questions in view of the developments at the Round Table Conference. The present idea is not to continue the existing Council of State, which is the Upper Chamber in a unitary form of Government, but to have an Upper House in a Federal Legislature which would include representatives not only of British India but of the States as well. Sir, the Prime Minister in referring to the composition of the Legislature remarked that this was one of the unsettled

problems which still required work. This whole question of method of election to the Upper House, its size and composition will have to be settled in the further discussions which it is expected will take place before long. In this connection I would refer Honourable Members to paragraphs 25 and 26 of the report of the Sankey Sub-Committee, which I understand is in the hands of Honourable Members now. Sir, it is a matter of pleasure to us as also of profit to the House that Sir C. P. Ramaswami Ayyar, who was a member of that Sub-Committee, is present here to-day. Sir, I will not tire the patience of the House by reading those two paragraphs, 25 and 26, of the Sub-Committee's report. The net result of the report is this, that this question is unsettled at the moment; it requires discussion between representatives of British India and representatives of the States, and it will depend also upon the constitution of the Lower House. All these questions are intimately connected with one another and the expression of a definite opinion on the future constitution of the Council of State is, I submit, futile at the present moment. Sir, without going into the merits of the Resolution, the House

12 Noon.

will realise that the question of the method of representation of British India in the Upper Chamber assumes an entirely new aspect, when the Upper Chamber, in the new Constitution, will include representatives of the States. In view of these considerations I submit that this House should not proceed to express any definite opinion on the question before the necessary discussions take place and before we know what will be the constitution and the structure of the other House, what will be the constituent units in the Federation and other relative questions. Sir, in the circumstances, I hope the Honourable Mover of the Resolution will think fit not to press the Resolution to a vote.

THE HONOURABLE SIR C. P. RAMASWAMI AYYAR (Madras : Non-Muhammadan) : Mr. President, I had the honour to serve on the Federal Structure Sub-Committee of the Round Table Conference where this question of the constitution of the Upper Chamber was discussed very thoroughly. The learned Mover of the Resolution started by saying that this House was unrepresented on the Round Table Conference. It so happened that I was a Member of this House and was present at that Conference; and I may further add that in my first speech, which will no doubt be reproduced in the full text of the proceedings of the Conference which will shortly be published, I took the view that direct election to the Council of State or rather the Federal Upper House would be advantageous on the ground that the more the choosing of the second Chamber is out of popular control, the more it is detached from the realities of politics. But other considerations were pointed out, and I may summarise them, not because I hold that it will be a profitable mode of discussion at this moment to go through those matters threadbare, but because I desire to point out the difficulties in the way of a complete solution at the present moment and the considerations that have to be borne in mind before we arrive at any definite decision. In the first place, as the Law Member pointed out, it is impossible to decide the final composition of the Upper House before we know how the Lower House is going to be constituted. With regard to the Lower House, it was fairly conceded at the Round Table Conference—and opinion was well-nigh unanimous—that it should be constituted on a direct election basis. If that is so, there is a great deal to be said in favour of the Upper House being constituted on the basis of representation of the various entities or units of the Constitution such as the provinces and the States; that is, whilst the Lower House would represent what may be called “the general popular element” throughout the country, the Upper House may well be designed to represent

[Sir C. P. Ramaswami Ayyar.]

the provinces and the States which form part of the aggregate. In every constitution almost that idea has been kept in mind. Let me illustrate. Excepting a few Balkan States and a few Baltic States, practically every modern constitution has got two Chambers, but most modern constitutions proceed on the footing that the Lower House should be representative of the people at large and the Upper House should be representative of the provinces or the units of the Federal structure. That is so in the case of Canada which contains a nominated Upper House, in the case of South Africa, which is partially nominated and partially elected, and in the case of wholly elected senates like those of the United States and Australia, and the same idea is carried out in France. The result of a survey of the constitution of Upper Houses discloses that one of the Houses at least is representative of the various units of the constitution, that is, the various provinces and States. To say that is not to deny them a popular character, because it must be remembered that the mode of election favoured by the Round Table Conference by a majority is by the provincial Legislatures which will be in the immediate future, it is hoped, entirely or almost entirely elected bodies. But the idea is that provincial Legislatures or other forms of electorates that may be devised will send up representatives who will preserve the state identity with the advantages of popular suffrage. The attitude of such an Upper House would be a corrective to or supplementary of the attitude which is sought to be represented in the Legislative Assembly. But it is too soon to dogmatise on what would be the final composition of the Council of State until we know what the Lower House is to be. If as a matter of fact the recommendations of the Round Table Conference are carried out and implemented and the Lower House is practically wholly elected on the British Indian side of it and will contain no nominated element excepting the bare minimum necessary to represent the official point of view, then we shall have to consider very carefully in the immediate future whether the Council of State should not be representative of those other interests, attitudes and outlooks which have representation in Upper Houses elsewhere. Thus, therefore, unless we know the composition of the Lower House and unless we know also whether the Indian States are coming into the Federation and what that type of Federation is going to be, it will be too early to come to any definite conclusion on the composition of the Upper House. I would therefore suggest to the Mover that it is too soon to force a decision upon the problem of direct election or indirect election to the Council of State. In certain contingencies and if the Lower House assumes a shape which is not at present contemplated, it may be necessary for us to express an opinion in favour of direct election. What is meant by indirect election does not necessarily mean an election not representative of the popular view point, but election by colleges or groups or sets of people who would represent an attitude and a point of view different from the point of view represented by the electorate for the Lower House. Therefore also the question of the retention of the present electorate is prematurely raised. If that be so, the number of members and other incidental matters may be left over. Finally, let me conclude by saying that what is to be done at the moment is to work for the Federal idea which is a new one. Those who went to England did not go there with the idea of this Federation. It was made possible by the patriotic and farsighted activities of the Princes who came round to a Federal idea and simultaneously pronounced in favour of a Federation with a self-governing British India. That having been postulated, the whole discussion took a new aspect and therefore we must not in this further investigation proceed

on the basis of the ideas that were current before the final decisions of the Round Table Conference were reached. I would therefore appeal to the Mover not to press the Resolution at this stage. The time may arise later.

THE HONOURABLE MR. ABU ABDULLAH SAIYID HUSSAIN IMAM : Sir, in winding up the debate, I wish to make a personal explanation. Sir Ramaswami Ayyar took it that I started by saying that we were not represented on the Round Table Conference. What I said was that we were not as effectively represented as the Assembly was.

THE HONOURABLE SIR RAMASWAMI AYYAR : I accept the amendment and notice the implications.

THE HONOURABLE MR. ABU ABDULLAH SAIYID HUSSAIN IMAM : As regards the merits whether the present system is a good system or the one suggested by the Round Table Conference, I may say, Sir, that the M. L. Cs. will be elected by a popular body and they will naturally represent the provincial opinion and not the opinion of those who have a stake in the country. However, as this question is still open and seems rather premature, I beg leave of the House to withdraw my Resolution.

The Resolution was, by leave of the Council, withdrawn.

ELECTION OF TWO MUSLIM MEMBERS TO THE STANDING COMMITTEE ON PILGRIMAGE TO THE HEDJAZ.

THE HONOURABLE THE PRESIDENT : With reference to the motion adopted yesterday that the House should elect two Muslim Members to serve on the Committee on Pilgrimage to the Hedjaz, up to 11 o'clock this morning two nominations had been received. Those are of the Honourable Mr. Syed Abdul Hafeez and the Honourable Sardar Saheb Suleman Mitha. I declare those two Honourable Members duly elected.

MOTION FOR THE ELECTION OF THREE MEMBERS TO THE STANDING COMMITTEE ON ROADS.

THE HONOURABLE SIR JOSEPH BHOORE (Industries and Labour Member) : Sir, I move :

"That this Council do proceed to the election for the rest of the financial year 1930-31, in such method as may be approved by the Honourable the President, of three Members to serve on a Standing Committee on Roads which will be appointed by the Governor General in Council, and the constitution and functions of which shall be as defined in the Resolution on Road Development as adopted by the Council of State on the 4th March 1930."

The motion was adopted

THE HONOURABLE THE PRESIDENT : Nominations for this Standing Committee will be received up to 11 o'clock to-morrow morning, the 12th February, 1931.

The Council then adjourned till Eleven of the Clock on Thursday, the 12th February, 1931.

COUNCIL OF STATE.

Thursday, 12th February, 1931.

The Council met in the Council Chamber of the Council House at Eleven of the Clock, the Honourable the President in the Chair.

MEMBER SWORN :

The Honourable Mr. K. V. Rangaswamy Ayyangar (Madras : Non-Muham-
madan).

MOTION FOR THE ELECTION OF A MEMBER TO THE GOVERNING BODY OF THE IMPERIAL COUNCIL OF AGRICULTURAL RE- SEARCH.

THE HONOURABLE SIR FRANK NOYCE (Education, Health and Lands
Secretary) : Sir, I move :

“ That this Council do proceed to elect, in such manner as the Honourable the President may direct, one Member to sit on the Governing Body of the Imperial Council of Agricultural Research.”

The motion was adopted.

THE HONOURABLE THE PRESIDENT : In connection with that motion I direct that nominations shall be received up till 11 o'clock on the morning of the 20th February, or, if the 20th is a holiday, up till 11 o'clock on the morning of the 21st February. If an election is necessary, I shall on that day direct when it will be held and the manner according to which it will be held.

INDIAN RESERVE FORCES (AMENDMENT) BILL.

HIS EXCELLENCY THE COMMANDER-IN-CHIEF : Sir, I move for leave to introduce a Bill to amend the Indian Reserve Forces Act, 1888, for certain purposes.

The motion was adopted.

HIS EXCELLENCY THE COMMANDER-IN-CHIEF : Sir, I introduce the Bill.

NOMINATIONS FOR ELECTION TO THE STANDING COMMITTEE ON ROADS.

THE HONOURABLE THE PRESIDENT: In connection with the election of Members to serve on the Standing Committee on Roads, three Members have to be elected and the following Honourable Members have been nominated :—

The Honourable Saiyed Mohamed Padshah Sahib Bahadur.

The Honourable Mr. Ernest Miller.

The Honourable Mr. Mahmood Suhrawardy.

The Honourable Rai Bahadur Lala Ram Saran Das.

The Honourable Mr. Satyendra Chandra Ghose Moulik.

The Honourable Mr. Abu Abdullah Saiyid Hussain Imam.

The election of three Members out of those six Members who have been nominated will take place at the next meeting on the 17th of February, and I shall, if an election is then necessary, direct at that time how the election will be held.

STATEMENT OF BUSINESS.

THE HONOURABLE SIR BROJENDRA MITTER (Leader of the House) : Sir, with your permission I desire to make a statement as to the probable course of business for next week. As Honourable Members are aware, His Excellency the Governor General has appointed Tuesday, the 17th, for the presentation and Friday, the 20th, or Saturday, the 21st, if the 20th is a holiday, for the general discussion of the Railway Budget in this Chamber. After the presentation of the Budget, motions will be made for the consideration and passing of the Punjab Criminal Procedure Amendment (Supplementary) Bill, which was laid on the table of this Chamber on the 10th instant. Thereafter, subject to your approval, a motion will be made for the election of Members to serve on the Standing Committee on Emigration. Only if an election is necessary, the Council will then proceed to elect Members to sit on the Standing Committee on Roads. Wednesday, the 18th, will be devoted to non-official business ballotted for that day. I shall hope to make a further statement as to the course of Government business after the general discussion of the Railway Budget.

ELECTION OF TWO MEMBERS TO THE COURT OF THE DELHI UNIVERSITY.

THE HONOURABLE THE PRESIDENT: Before I adjourn the Council, I would remind the elected Members of the Council that they are now going to elect two of their number to serve on the Court of the Delhi University. Under section 18 of the Delhi University Act, No. VIII of 1922, the Court includes two persons elected by the elected Members of the Council of State from among their own number. They will therefore proceed to comply with that Statute after I have left the Chair.

The Council then adjourned till Eleven of the Clock on Tuesday, the 17th February, 1931.

COUNCIL OF STATE.

Tuesday, 17th February, 1931.

The Council met in the Council Chamber of the Council House at Eleven of the Clock, the Honourable the President in the Chair.

MEMBERS SWORN :

The Honourable Sir Dinshaw Eduljee Wacha, Kt. (Bombay : Nominated Non-Official).

The Honourable Raja Bijoy Sing Dudhoria (Bengal : Nominated Non-Official).

The Honourable Mr. Thomas Guthrie Russell (Chief Commissioner, Railways).

QUESTION AND ANSWER.

ARTICLE IN THE OCTOBER ISSUE OF THE *Sketch* ENTITLED " THE RABBIT HUTCH OF SIMLA ".

56. THE HONOURABLE MR. K. V. RANGASWAMY AYYANGAR :
(a) Has the attention of Government of India been drawn to an article entitled " The Rabbit Hutch of Simla " in the October issue of the *Sketch* published in London ?

(b) Has the Government of India been able to trace the author of that article ?

(c) Does Government propose to take action against him ?

THE HONOURABLE MR. H. W. EMERSON : (a), (b) and (c). I have not yet been able to trace the article. If the Honourable Member will kindly furnish me with further particulars, I will make endeavours to do so.

MESSAGE FROM HIS EXCELLENCY THE GOVERNOR GENERAL.

THE HONOURABLE THE PRESIDENT : I have a Message to the Council from His Excellency the Governor General.

The Message is in the form of the following Order :

DATE FOR GENERAL DISCUSSION OF THE RAILWAY BUDGET.

" With reference to my Order, dated the 27th January, 1931, appointing in the alternative Friday, the 20th February, or Saturday, the 21st February, for general discussion in the Council of State of the estimated annual expenditure and revenue of the Governor General in Council in respect of Railways, I, Edward Frederick Lindley, Baron Irwin, hereby direct that the said general discussion shall take place on Saturday, the 21st February.

(Sd.) IRWIN,
Viceroy and Governor General."

(The Message was received by the Council standing.)

THE RAILWAY BUDGET FOR 1931-32.

THE HONOURABLE MR. T. G. RUSSELL (Chief Commissioner, Railways)
Sir, I have the honour to present a statement of the estimated revenue and expenditure of the Governor General in Council for the year 1931-32 in respect of Railways. A Railway Budget, like any other budget, must of necessity be mainly composed of figures, the quotation of which *en masse* is not only wearisome to the speaker but even more so to the listener. I propose, therefore, as far as possible only to give the essential figures and leave Honourable Members to examine the figures in detail from the Budget Memorandum which will be placed in their hands at the conclusion of my speech.

2. I need only refer briefly to the results of 1929-30—these are already generally known. I confess that when I presented the budget estimate last year I was more optimistic than events proved to have been justified. Our weekly earnings had just shown indications of improving and I anticipated that we should have a net gain of 526 lakhs from all lines, commercial and strategic, and that to meet our contribution to general revenues it would be necessary to withdraw only 86 lakhs from our reserves. But the spirit was short-lived and instead of this our net gain was only 404 lakhs which entailed a withdrawal of 208 lakhs from our reserves, reducing them to 16,34 lakhs. The main reasons for our revenues failing to come up to expectations were the world trade depression and the strike on the Great Indian Peninsula Railway. The position of our depreciation fund is, however, more cheerful, and as a result of our transactions we were able to increase this from 11½ crores to approximately 12½ crores.

3. Next we come to the current year. When last year at this time we framed our estimate of receipts—as we then thought on a conservative basis—we expected to have a net gain of 608 lakhs which would have sufficed to pay the fixed contribution of 574 lakhs to general revenues and give us a small surplus of 34 lakhs to place to our reserves. We were again, I confess, too optimistic. At the time the figures were placed before the Legislature there was little sign that the general economic depression and the civil disobedience movement would develop to the extent which they have and we assumed that we could expect though not a bumper year, at least a year of normal or just below normal traffic, and it is indeed tantalising that the two factors, which I have mentioned, should have interfered with what, considering the wonderful crops which India has produced this year, should have been a year of marked prosperity for the railways. But we must face the facts, gloomy though they may appear to be, and the position is that instead of having a small surplus to put to reserves we shall not merely be unable to pay our contribution to the general revenues but shall also have to draw on our reserves to the extent of about 3 crores to pay our interest charges. In more detail the position is that against a budget estimate of 106 crores 11 lakhs we now estimate our gross traffic receipts for commercial lines at 93 crores 60 lakhs. This estimate has, of course, to be made before the results of two of the heaviest months of traffic are known, but I am afraid I cannot hold out hopes that there will be any increase in the figure of earnings estimated. I have already stated what we consider to have been the main reasons for the falling off in our traffic, but the Council will expect me to give some details of how these factors affected the position. The fall in the cost of agricultural products with its consequent effect on earning capacity has restricted the ability of large sections of the population to indulge in railway travelling as freely as usual, with the result that the reductions in passenger fares, which we made two or three years ago with the object of encouraging more travel, and incidentally increasing our revenues

have not had the desired effect and have actually reduced our net earnings. The actual number of passengers carried during the first seven months of the financial year is 23 millions lower than carried during the same period of the preceding year.

As regards goods traffic, there has been a falling off in the amount of carriage of almost all commodities. The only commodity of any importance, which shows a substantial increase, is wheat, and of this commodity we carried 272 thousand tons more in the first 7 months of this year than in the preceding year.

4. Let us now turn to the slightly more cheerful side of the picture—working expenses. Last year we budgeted for working expenses 68 crores 9 lakhs. We now estimate that our working expenses for the current year will be 65 crores 13 lakhs, or a net saving on our budget estimate of 296 lakhs. Admittedly, 84 lakhs of this saving is due to a fortuitous adjustment between the depreciation fund and revenue, but the remainder 2 crores 12 lakhs is all real reduction. For this reduction railway administrations must be given full credit. It could not have been achieved without very strenuous efforts on the part of all railway staff. Our critics will, of course, say that reduced traffic must mean reduced working expenses. This is quite correct, but what they forget is that working expenses do not fall, and cannot fall, in the same ratio as a reduction in traffic. Actually only from 25 to 40 per cent. of the cost of running a railway is dependent on the amount of traffic moved. In addition, this year we have had to operate and maintain over 300 miles of new lines. We have had to take steps to engage additional staff in order to give effect to the Hours of Employment Regulations which are now being brought into force on State-managed Railways. We have improved the scales of wages of the lower paid men on three of the State-managed Railways as a result of the investigation which was promised last year. I think, therefore, that railways can claim that they have done their best to meet the present emergency. I may say that I have lately been reading Directors' Reports on railways in various parts of the world; many of these must make most depressing reading to their shareholders, but I think a perusal of them would probably make quite cheerful reading to Honourable Members as they would then realise that the position of Indian Railways is at least no worse than many railways in other parts of the world and is in fact better than many.

5. Having confessed to having been too great an optimist in forecasting the earnings of railways during the past two years I admit that I approach the task of making an estimate for the year 1931-32 with a good deal of temerity. He is a brave man who at the present time claims to be able to see far into the future; no one can tell when there will be a reaction from the present world-wide depression, but we can only do our best, and I feel sure that the Council will realise the difficulties which beset us when we endeavour to make an estimate of what traffic the railways will carry next year. Even in normal times the difficulties are great. Everything in India depends on the monsoon, but, as usual, in making our estimate we have assumed that the monsoon will be normal. We have also assumed that there will be a slight improvement in trade, and we estimate our gross traffic receipts from commercial lines for the year 1931-32 at 99½ crores or about 6 crores higher than our revised estimate for this year. In making this estimate we have included an amount of from 1½ to 2 crores for minor alterations of rates and fares. My predecessors, Sir Clement Hindley and Sir Austen Hadow, when they presented their Budgets of two or three years back, were in the happy position of being able to announce popular measures, such as reductions in rates and fares. I regret, as I have mentioned, that I am in an unhappy position of having to announce that it will be

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essential to increase certain of our rates, but I can assure the Council that any changes which we make will be done with due regard to the trade of the country and care will be taken not to impose rates which will press too hardly on any particular section of the community. We have recently been pressed to make a general reduction in the rates for agricultural products. We have gone into the question in great detail and are convinced that in the present state of world over-production no decrease, with its consequent loss to railways, can possibly be made up by increased traffic, but I can assure the Council that all railways are alive to the position and are carefully watching the movement of agricultural products, and if there are signs that a reduction in rates on any particular commodity will stimulate traffic this will be considered. As examples of this, rates for wheat to Karachi and rates for cotton seed to Bombay have been reduced, and by a special arrangement with the Punjab Government rates for wheat from the Punjab to Calcutta have also been temporarily reduced. It remains to be seen whether these reductions will have the desired effect. Apart altogether from the railway position, a reduction in rates which does not lead to an increase of traffic can be of little benefit to the *ryot*, the man whom it is desired to benefit.

6. Now I must turn to our estimate of the working expenses for the current year. Here again there are considerable difficulties in making an accurate forecast, though these difficulties are nothing like as great as in the case of forecasting our earnings. Our budget estimate of ordinary working expenses for the year 1931-32 we place at 105 lakhs below our revised estimate for the current year; but, as I have said before, this year's saving has been increased by an unexpected windfall of 84 lakhs from the Depreciation Fund. Therefore, if we are correct in our estimate the reduction amounts to close on 2 crores of rupees. To get this reduction over a year in which railways have made special efforts to save will, it is realised, mean unremitting attention on behalf of every railway administration and on the part of every member of the staff. The task is made more difficult as additional expenditure in certain directions will be unavoidable. Additional staff must be engaged to give effect to the new Hours of Employment Regulations, and the full expense of the recent increases in the wages of the lower paid staff will only be felt next year. There will also be the cost of maintaining and operating nearly 900 miles of new lines which we expect to be opened during this and next year—lines the net earnings from which cannot in the first few years of their existence be expected to cover their interest charges. It must also be borne in mind that in making this estimate we are allowing for a moderate increase in traffic. We have, I admit, set railways a difficult task but we feel confident that the railways and their staff are prepared and willing to shoulder the burden. It is our hope that the general public will realise that they also must be called upon to bear a certain portion of the burden. It will not be possible to give them certain luxuries which are taken as a matter of course in days of prosperity; but we can assure them that despite the efforts which we are making to cut down expenditure, no reduction will be allowed if it entails a lesser degree of safety for the travelling public than they have reason to expect at present. Reductions in expenditure of the magnitude which I have forecasted, must mean of necessity restrictive rationing of staff on all railways. It will also mean that every man will have to do a little extra; but as I have said before, there is no fear that our staff will not loyally support the railway administrations in their efforts to effect the necessary economies. There are two items of expenditure over which we have no control. Under the rules governing the transactions of the Depreciation Fund

37 lakhs more than last year have to be placed to the credit of the fund from revenue. Also with an increase in capital our interest charges increase.

7. To sum up, we anticipate that our total receipts from commercial lines will be 101 crores 2 lakhs, or 5 crores 69 lakhs better than last year; while our charges ought to be 97 crores 85 lakhs, or 41 lakhs less than the current year. If our estimates prove correct we should obtain a surplus from commercial lines of 3 crores 17 lakhs, as against a loss of 2 crores 93 lakhs for the current year. Deducting 1 crore 96 lakhs from the surplus to meet the loss on strategic lines we are left with a balance of 1 crore 21 lakhs. Our contribution to general revenues next year will be 5 crores 36 lakhs; to meet this we shall again have to draw on our reserves to the extent of 4 crores 15 lakhs, reducing the balance to 1 crore 33 lakhs at the end of the year. Again, however, the Depreciation Fund gives a more cheerful picture, and we anticipate that it will stand at 21 crores 47 lakhs on the 31st March 1932. As I shall explain later, we only expect to withdraw 8 crores 25 lakhs next year against 13 crores 43 lakhs paid in from revenue according to the rules of the Fund.

8. Before I turn to the programme of works, there are one or two subjects which I should like to mention to the Council.

During the current year we have been able to make considerable headway with a number of schemes of improvement in the service conditions of the staff. First, with regard to wages, the investigation started last year into the rates of pay of the lower paid employees has been concluded, so far as the State-managed Railways are concerned, and schemes of improvement sanctioned for persons in inferior service on the Eastern Bengal, Great Indian Peninsula and East Indian Railways estimated to cost a recurring amount of 4½ lakhs on the Eastern Bengal and 5 lakhs on the Great Indian Peninsula Railways and 11 lakhs on the East Indian Railway, as also for workshop employees of the Eastern Bengal and East Indian Railways costing 5½ lakhs. Revisions of pay have also been sanctioned on some of the Company-managed Railways: thus on the Assam Bengal Railway the pay of persons in inferior service and of the lower paid subordinate staff has been revised at an annual cost of 1½ lakhs; on the Madras and Southern Mahratta Railway the pay of the clerical, lower subordinate, menial and workshop staff has been revised at an estimated annual cost of 4½ lakhs. Following the revision of wages on the Great Indian Peninsula Railway an investigation has also been made into the wages of the lower paid employees of the Bombay, Baroda and Central India Railway.

Next, as regards Hours of Work, it may be recalled that a Bill amending the Indian Railways Act with a view to giving effect to the provisions of the Washington and Geneva Conventions was passed by the Legislative Assembly on the 27th February, 1930, and by this House on the 19th March, 1930. Soon after, a senior officer was placed on special duty with the Railway Board to direct and co-ordinate the working out of the schemes on the various railways through the agency of officers placed on special duty on individual railways for the purpose and it is expected that the Hours of Employment and Periods of Rest Rules which have been made in pursuance of the Act, will be fully introduced on the North Western and East Indian Railways with effect from the 1st April, 1931, on the Eastern Bengal and Great Indian Peninsula Railways some six months later and on Company-managed railways after a year or so. The total cost of these schemes is estimated to be 45 lakhs per annum on account of additional staff and 75 lakhs under capital for the provision of their quarters.

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The question of speeding up payments has also received attention and a scheme has been introduced on one division of the East Indian Railway to ensure that the payments of salaries and allowances will be made within 7 and 14 days respectively of the close of the month to which they relate. Similar arrangements are in course of extension to the other divisions of the railway.

As a result of complaints made by the All-India Railwaymen's Federation that debits were raised against the staff in trivial matters and without proper enquiry, the Government of India have placed a senior Traffic Officer on special duty to enquire into the existing procedure on the East Indian Railway and are awaiting his report.

The Government of India have also placed an officer of the Education Department on special duty to frame an estimate of the cost of introducing new rules for the grant of assistance to railway employees towards the education of their children and to report on certain other outstanding questions in that connection, such as the standard of education up to which assistance should be given and other cognate matters. In the meantime the Railway Board have issued provisional rules for the grant of such assistance so as to eliminate all racial discrimination for future employees.

The question of devising measures to combat the evil of indebtedness particularly among the lower paid employees has received attention and a new fund called the 'lower paid staff loan fund' has been constituted on the East Indian Railway with the object of advancing loans at reasonable rates of interest to such employees.

The Government of India have also decided to replace the existing fine funds on the State-managed railways by staff benefit funds which shall receive a contribution from revenue in addition to fines and provident fund bonuses which may be withheld under the rules from subordinate employees, and which shall be managed by the representatives of the staff.

The total cost of all these schemes for welfare and improvement in the service conditions of the staff is estimated to be 43 lakhs during the current year and 83 lakhs during the next year while the ultimate cost may mount up to a crore-and-a-half: over and above this recurring cost from revenue is the capital expenditure of 25 lakhs already incurred and a further 50 lakhs to be incurred during the next few years on the provision of quarters for the additional staff required to give effect to the Hours of Employment Regulations.

In addition to the schemes referred to, which deal with welfare and improvements in the service conditions of the staff, we have had to deal with a number of staff questions, such as for instance, the introduction of the scheme of the reorganisation of superior cadres on State-managed railways, elimination of racial discrimination, representation of minority communities in the service, preparation of new rules for the recruitment and training of the subordinate staff and for their medical examination and the grant of medical certificates. Finally, the question of the re-employment of the Great Indian Peninsula Railway *ex-strikers* of whom about 5,000 men are, according to the latest reports, still out of employment, continues to receive special attention and instructions have been issued to all the State-managed railways in India to give preference to them (including such of them as failed to offer for duty within the period prescribed in the Government of India Communiqué of March 1st, 1930) in filling posts for which they may be qualified over outsiders.

9. Last year I made a reference to the progress made with the standardization of Railway equipment. It was during the close of that year that the Central Standards Office for Railways was formed and all work connected with standardization centralised in one office. The benefits resulting from the new organisation are already beginning to be felt. Apart from the fact that the Railway Board's Office found itself unable to deal with the increasing volume of work which the extended application of standardization entailed, the locating of all such work in one office, in charge of a Controller of Standardization, enables a degree of co-ordination in the standardization of all classes of equipment to be obtained which was impossible when the various classes of equipment were dealt with by different branches of the Board's Office. As an example of the importance of such co-ordination, I need only refer to bridge, track and rolling stock—three separate factors, normally regarded as three separate branches of engineering, and yet the absence of close co-ordination between the three or their failure to advance together, hand in hand, can result, and often has resulted, in heavy financial loss to Railways.

As an example of the valuable work undertaken by the Central Standards Office since its formation I should like to mention the preparation and publication of the standard vacuum brake drawings. The vacuum brake is used exclusively for controlling trains in this country, and the value of the brake equipment fitted to the rolling stock of State Railways alone exceeds three crores of rupees. When first invented the brake was largely covered by patents and the manufacture of the equipment was limited to the patentees; but since the expiry of the original patents, other firms have come into the field. In order to limit competition, as far as possible, both the original patentees and their competitors have consistently refused to issue working drawings of the equipment they manufacture. This jealous guarding of information necessary to the accurate manufacture of the equipment has been so thorough, that besides securing the Manufacturers' ends by limiting competition, it has caused the equipment now in use on various Railways to be to a large extent non-interchangeable. This lack of complete interchangeability between fittings made by different manufacturers has, in the past, resulted in inflated stores balances, defective working of the brake and heavy maintenance charges.

With the issue of the standard drawings to which all equipment will, in future, be made, complete interchangeability is assured, and the manufacture of the equipment, instead of being limited to two or three firms, can be undertaken by any well-equipped engineering firm in India. I need hardly say that Railways cannot but benefit financially in consequence.

As another instance of how economy can be effected by standardization I would mention the East Indian Railway Carriage Underframes Workshop at Tatanagar. Carriage underframes are being manufactured there to-day at considerably less cost than they can be purchased from any other source. This reduction has become possible due to quantity production following the introduction of standard designs of underframes purchased by all Railways, in lieu of the old practice in which each administration purchased underframes to their own particular designs.

The various Standard Committees have continued to meet regularly throughout the year. The Locomotive Committee has been particularly engaged on modifications to the design and details of standard locomotives (of which there are now more than 650 in service of sixteen different standard types) which further experience with the running of these engines has shown to be necessary. In this connection I should like to draw attention to the recent arrival in this country of a Dynamometer Car, with the aid of which it will

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be possible to record important data concerning the performance of our standard engines, which cannot be determined by any other means. This Car is the most completely equipped vehicle of its kind yet constructed, and is to serve as a pattern for the car about to be built at the expense of the British Government in response to the British Railways' demand for the provision of a National Locomotive Testing plant. Although the first cost of such a vehicle is necessarily high, the knowledge that can be derived from its use will, it is anticipated, enable the efficiency of our locomotive power to be further increased.

Another matter which has recently had the close attention of the Locomotive Committee is the application of grease lubrication to locomotives. Although the use of grease for locomotive lubrication has for many years been the general practice of Railways in the United States of America, it was not until the last few years that this method of lubrication was tried in this country. Results so far obtained indicate that considerable economy will result from the extended use of grease lubrication for locomotives.

The Carriage and Wagon Committee has recently completed detailed drawings of a standard Broad Gauge upper class coaching body of the I and II Class composite type. The issue of these drawings will, besides providing for a uniform standard of comfort on all Broad Gauge State Railways, enable the cost of construction of such bodies to be reduced considerably as has already been done in the case of lower class bodies. The Committee is now turning its attention to Metre Gauge coaching bodies and the standardization of electric train lighting equipment. My remarks regarding vacuum brake apply generally to train lighting equipment. Although it cannot be said that any one firm holds a monopoly for the manufacture of such equipment, its manufacture is at present limited to a few firms only. With the standardization of such equipment, and the issue of standard drawings and specifications, other engineering firms will be in a position to compete for our requirements.

Last year I made a reference to the work of the Committee on Standards and Specifications and pointed out that the drafting of specifications recommended by the Committee and approved by the Board had not, owing to shortage of staff, been undertaken. This work has been taken over by the newly formed Standards Office and to-date 150 specifications have been drafted of which the first 95 have either been published or are under print for publication. I think the Council will agree that much valuable work has been done by the Central Standards Office and that the expenditure on this is fully justified.

10. The Council may remember that when I presented the programme of Capital and Depreciation Fund expenditure last year for the year 1930-31 I remarked that our proposals were very modest ones. We budgeted for an expenditure of 25½ crores of which 8½ crores was debitable to the Depreciation Fund. We now expect to spend on works 22½ crores of which 14½ crores will be charged to Capital and the balance to the Depreciation Fund. The total expenditure from the Depreciation Fund will be 9 crores, as this fund has to provide, as I have previously mentioned, about three-quarters of a crore as a credit to revenue. Of the underspending of 2½ crores half is under new lines. We have continued the policy, which we introduced two years ago, of concentrating entirely on pushing schemes already in hand to completion, and the reduction in expenditure will not reduce the mileage

of new lines opened or which we anticipated would be opened when we prepared the budget. The most important lines opened or which will be opened during this financial year are certain sections of the Raipur-Vizianagram Railway, a total length of about 56 miles, Unao-Madhoganj, Mahrabpur-Padidan, Pudukkottai-Manamadura, Mashrak-Thawe and Salem-Chinnasalem Railways, making a total mileage of just over 300 miles.

11. Turning to open line works, the most important events of the year were the completion of the Great Indian Peninsula Electrification from Bombay to Poona and Bombay to Igatpuri. This scheme is, I believe, the largest electrification scheme in the British Empire, and we hope very shortly to reap the full benefits in reductions in working expenses. We also opened during the year the new Central Station at Cawnpore and the new Central Station on the Bombay, Baroda and Central India Railway at Bombay.

12. If our budget estimate last year was a modest one it is still more so this year. We are providing for a total expenditure during 1931-32 of 21 crores 70 lakhs of which 8 crores 25 lakhs will be expenditure found from the Depreciation Fund. Material to the value of 2 crores of rupees already in stock will be utilised for our new works so that the actual new capital which it will be necessary to find will be only 11 crores 45 lakhs. We are again concentrating on completing works already in hand and on works which will increase the capacity of our main lines. In other words, in these times of scarcity we are making every endeavour to consolidate our position so that when the times of plenty come again our main trunk lines will be fully equipped to take the additional traffic which must follow construction of new lines in undeveloped country. 290 lakhs are allotted for capital expenditure for the completion of new lines under construction, and at the end of the year we hope to have all lines now under construction opened to traffic except the Sagaing Bridge over the Irrawaddy, the Lucknow-Sultanpur-Zaffarabad Railway, and the Tangla-Belsiri Railway in the north-east of India. Open line works in progress have been allotted 410 lakhs of which 98 lakhs will come from the Depreciation Fund, and if our anticipations are realised at the end of the year there will be only two works now in hand, the Dohad Workshops on the Bombay, Baroda and Central India Railway, and the doubling of the Cawnpore-Tundla section of the East Indian Railway, which will require substantial amounts for their completion during subsequent years. The only new work of any magnitude which it is proposed to take up during the year is the Narbadda Bridge on the main line of the Bombay, Baroda and Central India Railway between Bombay and Delhi. The cost of this is estimated at 87 lakhs, and an allotment of 15 lakhs has been made. A weak bridge of this description affects the capacity of the whole section, and its renewal is overdue. The position at the end of the year will be that our commitments for completion of works will be reduced to 357 lakhs of which 46 lakhs will come from the Depreciation Fund. This, I think, the Council will agree is a satisfactory position.

13. Turning to our programme for rolling stock. This, after a detailed examination with railway administrations, we have reduced to 5½ crores of rupees of which 2½ crores will come from the Depreciation Fund. It has only been possible to get to this figure by redistribution of existing rolling stock between the various railways. By this means it has been found possible to avoid purchases amounting to nearly half a crore. Other avenues of savings have been explored, e.g., it has been found possible by reconditioning second-hand wheels for carriages and wagons to make a further saving of just over 12 lakhs.

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14. I have done my best to place before the Council the principal figures of our revised budget for this year and those for the budget estimate for 1931-32. I do not claim that my review has been exhaustive or that I have mentioned everything that is of public interest, but this is impossible in the short time available and it would certainly be wearisome to the Council. I hope I have made it clear, however, that though we are passing through depressing times there is hope for the future and that Indian Railways will be in a position to meet the requirements of traffic when trade begins to improve.

15. In conclusion, I would like to take the opportunity of bringing to the notice of the Council the valuable service which the Agents, officers and staff of the various railway administrations have rendered to the country during the past years often under very trying conditions, and the assistance which they have given to the Railway Board in their endeavours to improve efficiency and to introduce economies to meet the emergencies of the present day situation.

PUNJAB CRIMINAL PROCEDURE AMENDMENT (SUPPLEMENTARY) BILL.

THE HONOURABLE MR. H. W. EMERSON (Home Secretary): Sir, I beg to move that the Bill to supplement the Criminal Procedure (Punjab Amendment) Act, 1930, as passed by the Legislative Assembly, be taken into consideration.

It is unnecessary for me to explain at any length the circumstances in which Government have felt it their duty to introduce this legislation. Honourable Members are aware of the long series of terrorist outrages committed or attempted in the Punjab which made it incumbent on the Local Government of that province to introduce into their Legislative Council in October last a Bill to amend the Criminal Procedure. The chief object of that measure was to confer powers by which the Local Government could refer the trial of persons accused of certain offences to a Tribunal of Commissioners. The Tribunal must consist of three persons, each of whom must have acted as a Sessions Judge or as an Additional Sessions Judge for at least three years, or must be a person qualified for appointment to a High Court. The offences triable by such a Tribunal are those which come within the scope of terrorist crimes, and no person can be tried by a Tribunal unless in the opinion of the Local Government the offence of which he is accused has been committed as a member of an association whose objects include the commission of such offences, or at the instigation or under the control of such a member. The local Bill therefore is concerned with the trial of offences connected with the terrorist movement. It was examined with great care in the local Legislative Council and after such examination it was passed, substantially in the form in which it was introduced, by a large majority. We may therefore assume that the Act which it is the object of the present Bill to supplement has the support of the Legislative Council of the Punjab and of the people whom the Members of that Council represent.

I now come, Sir, to the specific purpose of the present Bill. There is a lacuna in the local Act and it is the object of the present Bill to fill that lacuna. The Legislative Council of the Punjab is not competent to legislate in regard to the powers of the High Court and it was therefore neither able to provide

rights of appeal for persons who are convicted by a Tribunal nor to require that death sentences should be referred for the confirmation of the High Court. The purpose of this Bill is to confer those powers. It gives to convicted persons rights which, in the opinion of the Local Government and of the Government of India, it is proper that they should enjoy. Indeed, when the local Bill was under discussion in the provincial Legislature, the representative of the Punjab Government, with the full authority of the Government of India, gave an undertaking that if the local Bill became law, the Government of India would take the earliest opportunity of introducing legislation with the object of conferring those rights on convicted persons. The Bill imposes no penalties. It is intended solely for the protection of convicted persons, and I am confident that this House will give it its full support.

Sir, I move.

The motion was adopted.

Clauses 2 and 3 were added to the Bill.

Clause 1 was added to the Bill.

The Title and Preamble were added to the Bill.

THE HONOURABLE MR. H. W. EMERSON: Sir, I beg to move that the Bill, as passed by the Legislative Assembly, be passed.

The motion was adopted.

MOTION FOR THE ELECTION OF FOUR MEMBERS TO THE STANDING COMMITTEE ON EMIGRATION.

THE HONOURABLE SIR FRANK NOYCE (Education, Health and Lands Secretary): Sir, I move:

"That this Council do proceed to elect, in such manner as the Honourable the President may direct, four Members to sit on the Standing Committee on Emigration."

The motion was adopted.

THE HONOURABLE THE PRESIDENT: In pursuance of the powers conferred on me by that motion, I direct that noon on Saturday, the 21st of February, shall be the latest time for the receipt of nominations, and that if an election is necessary it shall take place on the 24th of February.

ELECTION OF THREE MEMBERS TO THE STANDING COMMITTEE ON ROADS.

THE HONOURABLE THE PRESIDENT: The Council will now proceed to the election of three Members to serve on the Standing Committee on Roads. There were originally six nominations. Those have been reduced by withdrawals to four and the four Honourable Members who are now seeking election to this Committee are:

The Honourable Mr. Ernest Miller.

The Honourable Rai Bahadur Lala Ram Saran Das.

The Honourable Mr. Satyendra Chandra Ghose Moulik.

The Honourable Mr. Abu Abdullah Saiyid Hussain Imam.

[The Honourable the President.]

Ballot papers will be handed to Honourable Members and they will vote by striking out the name of the Member for whom they do not wish to vote. Of course they are at liberty to strike out more than one name if they so choose. I might add that Honourable Members should not sign their voting papers.

(The ballot was then taken.)

THE HONOURABLE THE PRESIDENT: As the result of the ballot, the Honourable Mr. Abu Abdullah Saiyid Hussain Imam, the Honourable Mr. Miller and the Honourable Mr. S. C. Ghosh Moulik have received 37, 36 and 35 votes respectively, and I have to declare those three Honourable Members duly elected.

The Council then adjourned till Eleven of the Clock on Wednesday, the 18th February, 1931.

COUNCIL OF STATE.

Wednesday. 18th February. 1931.

The Council met in the Council Chamber of the Council House at Eleven of the Clock, the Honourable the President in the Chair.

RESOLUTION *RE* LOAN OPERATIONS OF THE GOVERNMENT OF INDIA.

THE HONOURABLE MR. ABU ABDULLAH SAIYID HUSSAIN IMAM (Bihar and Orissa : Muhammadan) : Sir, I rise to move my Resolution which runs as follows :

“That this Council recommends to the Governor General in Council that a small Committee of seven Members of the two Chambers of the Indian Legislature be constituted to advise the Government on loan operations and that this Committee be consulted before each loan is floated.”

I may say at the outset that I have very little hope of this Resolution being accepted by this House. Nevertheless, I think it to be my duty to bring this Resolution and intimate to the Government what is the public demand. This House is on its trial before the tribunal of public opinion, and if it does not represent public opinion it is bound either to be scrapped or to be changed beyond recognition. The Government of India is unique in its constitution. It is the product of the versatile British mind. It is neither autocratic nor fully democratic. It is a hybrid. In certain of its Departments to a very limited extent it is answerable to the Indian Legislature, but unfortunately the subject-matter of my Resolution, its borrowing powers, are not included in that category. For the rest it is answerable to the Secretary of State for India, who in turn is responsible to the British Parliament. The Secretary of State for India rightly safeguards the interests of his constituents, the Britishers. The theory of democracy of the English constitution is based on the fundamental principle that the responsibility of the executive is effective only as far as they are removable at the will of the controlling Parliament. The British Parliament can by no stretch of imagination be said to look to the interests of Indians when they are at variance with or adverse to the British interests. Consequently, the Secretary of State for India acts as a benevolent autocrat when the interests of India do not clash with the British interests. The loans floated in England during the last year have been condemned by the whole phalanx of Indian public opinion. There were questions on this subject in the other place too. The Finance Minister was pestered with supplementary questions which elicited the information that the high rate of interest was allowed only in fear of India's credit being shaken by the political developments. But let me add that it was a groundless fear, inasmuch as the response was instantaneous and overwhelming. I may say that the time selected for the loan was singularly inopportune too. The redemption yield of the first sterling loan of 5½ per cent. at the time of floatation of the First Sterling loan of 1930 was 6.174 per cent., whereas on the 31st December, 1930, the redemption yield of this very same loan was as low as 4.723 per cent. For the benefit of those who may doubt the correctness of my figures I may inform this House

[Mr. Abu Abdullah Saiyid Hussain Imam.]

that my authority for these redemption yields is our able Finance Minister, Sir George Schuster himself. So, if the Secretary of State for India and the Government of India had selected the right moment, we could have secured this money at such a low interest as $4\frac{1}{2}$ per cent., and thereby would have saved in interest yearly the sum of £312,500 sterling, which, at the official rate of exchange, comes to Rs. 41,66,666-10-8. It will be said that the loans were taken when the necessity arose. But it is apparent these loans were taken not to meet any recurring charges which are debitable to the revenue account, but probably in order to meet capital charges, or, in other words, to finance our purchases in Europe, and it remains to be shown whether they could not have been profitably postponed a little while, and what financial harm would have befallen the Government of India by its delaying the loan. It is unfortunate that this Resolution of mine has come up before the Budget. Had it come after that I would have had facts and figures to elaborate the feasibility of delaying these loans and the purposes for which they were taken. As it is, I cannot find any authorities to quote the purposes for which they were taken.

There are two aspects of my Resolution. Firstly, it is to train up Indians for future work. With due respect to all that has been achieved at the Round Table Conference, I must say that Nationalist India regards its findings as anything but the last word of the British Government on the question of India. The whole of India is expecting a second Round Table Conference which will better represent public opinion than its predecessor. As witness of that we have Mr. Gandhi here interviewing His Excellency the Viceroy yesterday as well as to-day and perhaps for some days to come. And possibly the powers now vested in the Secretary of State for India as regards financial control may, if not all, probably most of them, be handed over to the Indian Federal Legislature of the future. If that happens and we have no inside knowledge of the money markets of India and of England, the future Indian Minister of the Government of India will be put to great trouble on account of this want of knowledge. Would it not be to the benefit of Indians if the Government undertook like a conscientious guardian to train up its ward in all its future duties?

The second aspect, which is not the less important, is that in the association of a number of Indians in this branch Government will be showing its desire to do everything above-board. If the Government keeps us out the public will naturally draw the logical conclusion that there is dirty linen which the Government is afraid of bringing into the light of day. The Government do not lose their liberty by having such a Committee. It is open to them either to accept the advice of the Committee or to reject it. The natural thing would be that reasonable men would not go out of their way to turn down the expert opinion of the Government and thereby cause trouble to the Government. I would further draw the attention of the House to the fact that responsibility always sobers down all the wide leanings of the politicians. I may cite the case of the British Labour Party. While out of office after the war the capital levy was one of the main planks of the Labour platform, but since Mr. Ramsay MacDonald has taken over the reins of office we have never heard a word about this nor about the equally important question of the rationalisation of the basic industries.

I wish to criticise the policy of the Government of India. It is the historic policy of the late Lord Asquith, "wait and see". It has always been applied incognito. Now, since last year it has been the declared official

policy that every evolution under the present constitution is to be stifled till the next Reforms. Every day work is going on, new laws are being enacted and new amendments are being made in the rules and regulations, but the only thing that is taboo is evolution within the constitution. It seems as if the Government of India have lost all hopes of keeping the country in their grasp, so they wish to retain whatever is in their hands as long as they can. Is it a dignified attitude ?

The second point is that those of us, who conscientiously believe that we could serve the country and the Government by coming into the Legislatures, have been condemned by our nationalist friends as traitors to the country, and are disregarded by the Government as representing no opinion. They are being condemned by the Government as well as by the public. They stand to lose their position in both places.

My main object in bringing this Resolution was to bridge the difference between the Government and the public. If the Government do not wish to take the whole Assembly into their confidence, as is apparent from the reply of Sir George Schuster, then the right course for them would be to accept my Resolution as it will be a halfway house between the public demand and the Government opinion. As long as we are not associated with the Government, we will naturally think that the Government of India is being run for the benefit of the Britishers at the cost of the Indians. Let me add that personally I do not think that the Government is run on those lines, but we cannot help others from drawing the logical conclusion. There is a Persian saying of ours : "*Chun hisab pak ast uz muhtasib che bakast.*" "When your accounts are in order, you do not fear the auditor."

It is not a sound policy for the Government to become the target for the criticism of the public for no other reason but a shyness on their part to the association of Indians. The fact of the matter is that though the Government is anxious to safeguard the interests of the Indians, the official mind is averse to move out of its groove. Red-tapism is a famous legacy of the bureaucratic world. No matter how good a thing may be, if it is out of common, it is always turned down and the merits are never judged dispassionately.

In the end I earnestly appeal to the Government to reassure the public by increasing the association of Indians in the affairs of the Finance Department by accepting my Resolution.

THE HONOURABLE SIR ARTHUR McWATTERS (Finance Secretary) : Sir, I do not propose to follow the Honourable Member in his discussion as to whether the present Government in India is a hybrid or a hydra. I think the present would be an inopportune time to embark on such a discussion when we are in the midst of enquiries having as their object the change of that constitution. Nor do I propose to follow him in his criticisms of the actual Government borrowing policy in recent loans. All I would like to say on that point is this, that Government borrowing is the test of India's credit ; and the more efficient and informed the criticism we can get to assist us in improving India's credit, the better we shall be pleased. In the Round Table Conference, where I had the privilege of being present at practically all the discussions, there was one point on which there was no dispute whatever and that was that the credit of India must be maintained at a high level.

I propose, Sir, in this reply of mine to the Honourable Member's Resolution to deal with the Resolution as it stands on the paper, and I think the

[Sir Arthur McWatters.]

House should realise from the outset that the Honourable Member's proposal is a novel, indeed an unprecedented one. So far as I am aware, an arrangement of this kind is not in force in any other country, not even in the most extreme democracy, not even, so far as I know, in the Soviet Republic. I do not object to an arrangement because it is novel, nor even because it is unique, but I do think that if an arrangement is not in force in any other Government, it is at any rate an indication that there are possibly very good reasons for not introducing that arrangement.

I think it would be useful if I explained to the House what opportunities exist at present for Members of the Legislature to scrutinise the Government borrowing policy. In the first place, there is what I may call scrutiny in advance. At the time of the Budget the Government proposals for Capital expenditure and for Ways and Means transactions are set out in full in the Budget. The principal items in the Capital expenditure are of course the Railway Capital Programme, the borrowings of Provincial Governments through the Provincial Loans Account and temporary borrowings for Ways and Means purposes. Now, the Railway Capital programme, as the House knows, is scrutinised by the Standing Finance Committee on Railways and then it comes up to the House; similarly, other Capital Government expenditure comes before the Standing Finance Committee and the Assembly and is voted by the House. The House has ample opportunity on that occasion of criticising in advance Government proposals for Capital expenditure and the Finance Member always in his Budget speech gives such information as he can as to the method in which Government proposes to meet those obligations in the coming year. In the second place, there is the opportunity for scrutiny in retrospect. When the Budget comes up, full information is given as regards the actual borrowings which have taken place in the current year and the House then has an opportunity in the Budget debate of examining and criticising the Government's policy in the current year. In addition to that, when any loan is floated, the Controller of the Currency always issues a very full report explaining exactly what has happened, how the loan has gone and all the details of the loan. Then, in addition to that, there is the ordinary opportunity which always exists for interpellation or Resolution by which the House can raise any point it wishes with regard to Government's borrowing policy. These facilities for criticism are exactly the same—neither more nor less—as exist in every other country. What is absent here—and it is absent also in other countries—is the existence of a special Committee to scrutinise the terms of loans in advance.

I think it would help the House to realise why this arrangement is not adopted if I gave a very short sketch of what actually happens when a loan is under consideration. It is sometimes possible some time ahead to determine the type of a loan, *e.g.*, whether it should be a long term or a short term loan, having regard to such obligations as Government have to meet in the current year in the way of maturing debt and so on and having regard to the general conditions of the year: but when it comes to the actual fixation of the terms of issue, the price of the loan, the conversion terms, etc., the decision has to be taken always at the very last moment and very often in the course of an hour or two after receipt of the latest financial position by telegram from monetary centres; and in forming their final judgment Government always take the advice—and they almost always follow that advice—of their bankers, the Governors of the Imperial Bank. In the constitution of

the future no doubt we shall see in due course a Reserve Bank and the Governor of the Reserve Bank will become the adviser to Government in these matters.

Now, Sir, that short sketch of what actually happens will, I think, bring to light one or two points. The first is the necessity for speed. There are really two points in this. It is very often necessary to take advantage at very short notice of a favourable turn of the market. That is, the actual time of the floatation of a loan sometimes has to be decided in a hurry. Secondly, as I explained just now, the actual terms of issue have in all cases to be determined at very short notice. If we had to depend on a Standing Committee which had to scrutinize in advance the terms of each loan it might on some occasions be exceedingly awkward. As the House knows, the ordinary period for borrowing in India is during the slack season, some time between June and August, and that is the very season when the Legislature is normally not in session. You may have your Committee scattered all over India, and it will be impossible to get them together to operate quickly at a moment's notice. You may miss the favourable time for floating your loan if you are not able to act with sufficient speed.

The second point is the necessity for secrecy. It is obvious that in order to avoid disturbance to the securities market and to avoid speculation all loan operations have to be conducted with extreme secrecy. I am not suggesting that the addition of a Committee would involve any leakage of information, but the mere fact of summoning the Committee together would be an indication to the market that a loan operation was in prospect, and that would imperil the prospect of successful floatation of the loan.

The third point is one which I have touched on already, namely, the extreme technicality of the operation. The advisers on a matter of this sort must be bankers—and indeed must be the bankers to Government—because they alone are aware of the exact financial position of Government, their obligations that are coming due, and they alone are the best advisers on the actual conditions of a loan which would be most acceptable to the market.

What I have said so far applies to loans raised in India, but the House will easily realise that the position is still more difficult if you consider raising of sterling loans or foreign loans outside India wherever it might be. It is obvious that a Committee sitting in India would not be in close touch with money conditions in outside centres. They would therefore be unable to offer any useful advice as to the exact terms which should be offered. The Government of India are, of course, always consulted by the Secretary of State when a sterling loan is to be floated, but we have to leave the final decision inevitably to the authorities in London who take the best monetary advice from the Bank of England in fixing the actual terms of issue. Whatever changes there may be in the new constitution, it was fully recognised at the Round Table Conference that sterling loans would have to be on a special footing. The only point I wish to make now is that it would be impossible to utilize effectively the services of a Committee of Members of the Legislature here to advise us on the detailed terms of a sterling or foreign loan.

If I may summarize very briefly the main points in my speech, the proposal is a novel and indeed an unprecedented one. Secondly, I have shown that the Members of both Houses have opportunities both in advance and in retrospect during the Budget discussion for criticising Government's borrowing policy and of giving their actual vote upon Government's borrowing programme. Thirdly, I have in a short sketch pointed out what actually takes place when a

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loan is floated and have indicated the extreme necessity for speed and for secrecy and for technical advice. And, fourthly, I have shown that these difficulties are immeasurably greater when we come to deal with foreign loans where a local Committee could not offer any useful advice. If I may add one further argument, it is that at a time when constitutional changes are pending it would be most improper to introduce what is really a revolutionary proposal that might fetter very much the hands of the future Finance Minister and the executive.

THE HONOURABLE SIR MANECKJI DADABHOY (Central Provinces : Nominated Non-Official) : Sir, as a non-official Member of this Council and one connected with the Imperial Bank of India as Governor since its very inception, I think it right to supplement the observations made by my Honourable friend Sir Arthur McWatters. The Resolution which has been brought forward by the Honourable Mover is one which is not only opposed to public policy but is entirely unacceptable. My Honourable friend could not have been fully aware either of the borrowing policy of the Government of India or the borrowing policy of the Dominions or the leading nations in Europe. Otherwise he would not have brought forward this Resolution before this Council. I do not propose to go into the very many irrelevant matters introduced by the Honourable Mover in his speech ; they are altogether beside the question. The one question before us is what is sound finance, and what ought to be the correct policy in the matter of borrowing money by any country. My Honourable friend let the cat out of the bag in the course of his speech when he stated that Honourable Members are not aware of the inside policy and cannot state what should be the correct procedure or policy in the matter of borrowing money. If Honourable Members, as he has stated, are unaware of the internal working or the borrowing financial policy of Government, I fail to understand of what value their help could be to Government or to anybody at all by being associated in the matter of discussions regarding the raising of any fresh loan in this country. My Honourable friend Sir Arthur McWatters has very fully and completely explained the borrowing policy of Government, the secrecy which it is bound to observe and the important considerations which it has to take into account at the time of raising the money. Honourable Members are fully aware that the Government of India in its annual financial statement always indicates its borrowing policy to a certain extent. Whether they are going to raise a local loan or whether the loan is to be by way of sterling, an indication of a sort is always given. But it is impossible for the Government of India to state correctly or anticipate at the moment when the actual floatation ought to take place. The floatation is of great importance—whether the money is to be borrowed in this country or in England. The material facts are to be borne in mind. In the first instance, the financial barometer of the world is to be observed and scanned and the pulse felt. The Government has to see that at that very moment no other great country is approaching Europe for a loan—the Dominions are not there in competition or the other countries are not there, or money is not being raised by England to meet its annual requirements or for public exigencies. All these facts have to be borne in mind, and Sir Arthur is perfectly correct in stating that the decision has at times to be made within a few hours. The Secretary of State has to be consulted, the Managing Governors of the Imperial Bank are always taken into confidence in this connection. Their advice is sought by Government and on such advice the Government can definitely and faithfully rely. My friend the Mover of the Resolution in

the course of his speech has stated that the recent borrowings have been at a high rate of interest. I admit they have been at a high rate of interest. Who is responsible for that? Not the Government of India, but the country is responsible for it. If we had not the Civil Disobedience movement, our credit would have been considerably higher and we could have got money probably at half per cent. or one per cent. cheaper. It is no use therefore attaching any blame to the Government of India and accusing the Government of India for having borrowed money at a high rate of interest. As I have said before in this Council at Budget discussions, the prosperity of this country and our credit will always depend on our own action and the policy we maintain in this country. If we are careful to avoid all these unpleasant movements which have of late taken such prominence in this country, our credit will remain unimpaired and we shall be able to borrow money at a lower rate of interest than we have done in the past. But in a matter of this kind other factors must necessarily prevail. The exigencies of the time, and the monetary situation in the whole world have to be taken into account, and therefore such vague generalisations as my Honourable friend made are entirely irrelevant and not worthy of consideration.

I do not propose to detain the Council any further. I thought it my duty as a non-official Member of this Council and as one connected with financial organisations in this country to let the Council know what a non-official business man feels on such a question. I have full confidence and trust in the wisdom of this Council, and I know that this Council will reject this Resolution.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS (Punjab : Non-Muhammadan) : Sir, my Honourable friend Sir Maneckji Dadabhoy has put forward a lucid explanation of the reasons for his opposing the Resolution. I also do not see my way to support the Resolution. But I must tell the House that as regards the floatation of a few recent sterling loans are concerned, there is some impression in the public mind that the Indian financial market has not been given a trial, and in case the Indian market had been given a trial, perhaps a cheaper rate of interest would have been secured. I agree that the people who can give an opinion on these technical matters ought to be experts and financiers, but at the same time I wish that as long as India can even partially contribute to the loan, every opportunity ought to be given to her.

THE HONOURABLE MR. ABU ABDULLAH SAIYID HUSSAIN IMAM : Sir, in winding up the debate I wish to say a few words in reply to the opposition that I have received from the Members of this Council. As I have already said, I had no hope of this Resolution being passed by this Council. But I simply felt it my duty—it might be an unpleasant duty—to bring this before the Council.

I will first take up the points urged by the Honourable Sir Arthur Cecil McWatters. The first thing he said was that this was a novel proposition and we should look into its merits. I am obliged to Sir Maneckji Dadabhoy for having looked into the merits of the question though with a critical eye. I will reply to him later on. Sir Arthur McWatters said that we have got the Ways and Means Budget and the Capital charge to be voted by the Assembly. But the question there does not arise as to what will be the terms of the loans. That is kept out of their control. I suggested that we might be associated with the discussion of the borrowing terms for two purposes. Firstly, so that we might get training. You will admit that some time—it may be next year, or may be in the next century—you have got to give over the charge to the Indians of Government of India, and therefore it is necessary that Indians should be associated in this matter. I think it was but 20 years ago that there was no

[Mr. Abu Abdullah Saiyid Hussain Imam.]

Indian in the Viceroy's Council. Now we have got three. Times are changing. What was thought to be an innovation in the time of Lord Minto is now an established fact. It does not mean that if you introduce a new thing, it will turn out to be a bad thing. You ought to give it a trial and if found unsatisfactory, it is always open to the Government to turn it down and say that it is unworkable and therefore it is rejected. Secondly, to dispel the doubts of the public. Caesar's wife should be above suspicion. The second point that Sir Arthur McWatters took was that when the Budget is being introduced, you get a full report of the borrowing of the Government of India, and you get an opportunity in retrospect, and then you can express your opinion. It is quite correct, I admit that. But there too we do not have the power of changing the course of events. What I wished to say was that we should be associated before the event and thereby given an opportunity of stating our views. It is not necessary that Members who have got no knowledge of finance should be taken in. Members who have got financial experience like Sir Maneckji Dadabhoi and past Members of the Viceroy's and Governors' Executive Councils who grace this House could be taken in. It does not matter if such people are elected or nominated to this Committee. I did not say that they should be either elected or nominated. I left that out purposely so that if the Government thought it advisable not to associate the Members elected by the Legislature, they could have at least gone so far as to suggest that they would nominate some Members of the Legislature to be associated with them. Just as Governors of the Imperial Bank are consulted, if people who have got the confidence of the constituencies and have come to the Council, had been admitted, that would have been a bright day, and a day to be remembered that Government, on their own initiative, had thought it wise to associate Indians in their innermost counsels in matters of finance.

As regards the procedure, Sir Arthur McWatters said that the terms regarding the period of the loan and the amount are settled first. Then the moment of flotation is settled by telegraph in a few minutes or a few hours. I quite admit that it might be so. But even for the first thing which is decided days beforehand, you could associate us. It is not much of a secret because we know that you are going to borrow such and such an amount in the current year. You simply fix the terms which can also be forecasted beforehand. During the Budget even you could forecast that you will be requiring loans for 3, 5 or 10 years. What you decide at a moment's notice is the rate of interest. I admit that it will be difficult to associate Indians in the matter which is decided in a few hours. But where there is a will there is a way. These difficulties too could have been surmounted with some amendment. We could decide the maximum and minimum terms in the Committee.

Sir Maneckji Dadabhoi told us that we did not know much about financial affairs. . . .

THE HONOURABLE SIR MANECKJI DADABHOI : I did not say that. I beg your pardon. I said that you could not have been much conversant with financial affairs.

THE HONOURABLE MR. ABU ABDULLAH SAIYID HUSSAIN IMAM : I accept the amendment. As regards that, I may say that even in the Library of the House there is no book of reference which could give us an idea of how financial matters are in England. I hunted up the Library but could get no book to tell me when these loans were floated, what were the terms, and what

was the response. I find no material in the Library of the House which contains 20,000 books. That such a book of reference is unavailable in the Library is nothing but a conspiracy of silence. I have already replied to the Honourable Sir Maneckji Dadabhoy about the advice of the Committee being not very valuable, and about the financial barometer having to be seen. Quite right. That is why I wish for the association of Indians so that they might have some knowledge about the question.

Now, as regards the responsibility for shaking the credit of India being on the shoulders of the non-co-operator, I do not accept the correctness of this. It might be due to a certain extent to that. But nevertheless, as I have pointed out, the redemption yield of the same loan was different during the same year, at one time rising to 6.174 per cent. and then going down to 4.723 per cent.—a difference of 1.3 per cent. nearly. That is not explained by the situation here, because non-co-operation is going on just as it was before; Mr. Gandhi has not withdrawn his movement, and even the present kind of compromise talk was not started at the time the redemption yield went down. What then was that due to? Advance knowledge of the floatation must have got out and that is why prices fell. Had that not been the case there would have been no reason for this great fall in the redemption yield of the same loan.

Lala Ram Saran Das has pointed out that it is always felt in the country that loans should be floated in India in preference to England. As regards that Sir George Schuster in replying to questions has said that Government offered an unlimited loan in India which was not subscribed sufficiently, and therefore they had to go to England. That is a point in favour of Government's action which I do not wish to deny them. There is one point, however, to which reference has not been made, namely, that there is no rule now as to how it is decided whether a loan should be floated in England or in India. The Honourable Member for Government did not refer to that because I had not asked him. But that is an important point. There must be some authority who must decide and on that decision much depends, because Indians do not like their money to go out of the country.

That concludes all the points to which I wish to allude. I know my fate, but still I submit the Resolution to the House.

THE HONOURABLE SIR ARTHUR McWATTERS: I should like to say that I did not object to the Honourable Member's Resolution merely because it was novel. I said in fact that even though it was unprecedented in any other country of the world, I did not object to it solely for that reason. I merely said that there were very good reasons in other countries as in this country why it was not a practicable proposition. The Honourable Member in his reply has not really answered the practical points which I made, which mainly were that the Executive Government in the last resort must be the authority to decide the actual terms of floatation of loans, having regard to the speed, the secrecy and the technical nature of the operation, and therefore I am very sorry that Government cannot accept this Resolution.

THE HONOURABLE THE PRESIDENT: The question is that the following Resolution be adopted:

"That this Council recommends to the Governor General in Council that a small Committee of seven Members of the two Chambers of the Indian Legislature be constituted to advise the Government on loan operations and that this Committee be consulted before each loan is floated."

THE HONOURABLE THE PRESIDENT: I think the "Nqes" have it.

THE HONOURABLE MR. ABU ABDULLAH SAIYID HUSSAIN IMAM :
May I demand a poll ?

THE HONOURABLE THE PRESIDENT: The Honourable Member is entitled under the rules to demand a division. I would ask him to consider seriously whether it is not wasting the time of the House.

THE HONOURABLE MR. ABU ABDULLAH SAIYID HUSSAIN IMAM
Very well, I will leave it.

The motion was negatived.

RESOLUTION *RE* PROVIDENT FUND FOR GOVERNMENT SERVANTS.

THE HONOURABLE MR. G. S. KHAPARDE (Berar Representative)
Sir, the Resolution which I propose reads as follows :

"That this Council recommends the Governor General in Council to afford relief to the families of pensionable Government servants who die before completing their service by—

- (a) forthwith giving effect to the Resolution of the Honourable Mr. Vedamurti as amended in, and accepted by, this Council on the 18th February, 1924, by replacing the existing system of pensions for all gazetted and non-gazetted Government servants by a system of contributory provident funds; and
- (b) granting, up to the date of such replacement to the families of non-gazetted pensionable Government servants who have died before completing their service a gratuity of one month's pay for every year of service completed by the deceased Government servant."

This Resolution has a short history. It might be made long if I wished to delay the House. The short history is that the Honourable Mr. Vedamurti brought this Resolution forward in this House in February, 1924. There was a full-dress debate upon it, and I proposed an amendment and the result was that the Resolution, as amended by me, was accepted by the Honourable Sir Arthur McWatters on behalf of Government. So I start with the initial advantage of some portion of my present Resolution having already been accepted. I am not therefore hopeless like my friend behind me who moved the last Resolution. Another point in that connection is that a fact which is accepted by the other side need not be argued. That is the practice even in courts and everywhere else. But in this certain Honourable gentlemen may not know or may not believe that the grievance really exists. There is a real grievance, and it is this. A person may serve for a very long time and just when he is about to go on pension he dies, and consequently he gets no pension and nothing in lieu of it, and his family starves. Members of the higher services being intelligent men generally make provision for such a contingency, and they have their own funds, like the Civil Service Fund. But subordinates were not originally familiar with this idea and the pension was regarded as a sufficient provision. But times have changed since then and what was originally sufficient has become insufficient, to such an extent that in a rich country like England the Secretary of State for India actually resigned his office to go into a mercantile firm. The hardship especially falls on the subordinate servants, what

are called menial servants, *chaprasis* and so on, and it is necessary that provision should be made for them. An Honourable friend of mine for whom I have great respect said that my Resolution was rubbish. Well, that took me by surprise. I think it is a very important matter that poor people should be provided for, especially those who are not in a position to economise and save something for a rainy day. When they live on to enjoy the pension well and good. But if they happen to die, then that is the end of their families' sustenance. That is a great hardship, to cure which this Resolution was put forward by the Honourable Mr. Vedamurti and which, as amended by me, was accepted by this Council and the Government. If any Honourable Member doubts the existence of such a thing or this grievance, I have made a small list.* It is not at all complete or exhaustive ; but there is a list of persons affected to prove my point. I will put it on the table of the House so that any Honourable Member who wishes may satisfy himself. I have only taken cases of people who have served for 20 or more years ; in that list you will find a person called Zuruddin who served for 34 years and died in harness ; his family got absolutely nothing. Another person called Mudaliar served for 35 years and died in harness ; his family is left entirely destitute. To cure this difficulty, we have got to go into the matter. Government have taken over the management of various Railways and the railway management instead of pensions have introduced what is called a contributory provident fund, and those people are very much satisfied. I had a talk with some of them and they feel quite happy about that. The system is very nearly this, though not exactly. The man is taught thrift from the very beginning. When he takes up service, a certain amount of his pay, say one month's pay in the whole year, is taken and credited to him ; that carries interest and Government adds an equal sum to it and it goes on increasing, and by the time he retires, he takes half the money for building a house or purchasing a field. The other half remains, and that serves as his means of subsistence. That system has been found very satisfactory. I tried to have that introduced in the case of these subordinates. The initial advantage endures to this day. It was the Honourable Sir Arthur McWatters who accepted my Resolution. He is still in office and is in the same Department. His assistance is a great thing. He always entertains a sympathetic view of the matter and I suppose that good omen will follow me through. Beyond putting this small list up, I need not elaborate the matter further. I draw two inferences. Government have accepted that Resolution ; they admit that there is a grievance. They admit also that it is a matter for enquiry ; and they also further admit that it should be remedied. Now, Government having admitted these, I suppose I have not got much to do now beyond asking the question as to what has been done. This was in 1924. It is some years after that I am speaking now, and I am very sorry to say that nothing so far as I know has been done. Absolutely nothing has been done. It was I believe in the Simla Session of 1927 that a question about it was put and then the Government admitted that nothing had been done, but that endeavours were being made. Endeavours would always be made. Officers clear their tables and matters have got to be disposed of. Whenever you put a question the answer is that the matter is under consideration. Nothing, absolutely nothing, has been done. I could not rest content with it. There is a Persian saying that by the time the medicine arrives from Irak the patient who is sinking might die altogether. So it happens. Poor people have been waiting, always looking forward to getting something. For seven years nothing has been done ; in the meantime men die and their families cannot be easily traced. All this tends to what I should call a great deal of misery, avoidable misery. It ought to be avoided. How can it be avoided ? In the case of the Railways, they teach thrift to the men from the beginning ; they

[Mr. G. S. Khaparde.]

get them to save something ; Government adds an equal amount which grows and they are taught the wisdom of saving. Ultimately, they get something with which they can commute their pension. It is in the interests of the poor people that this Resolution has been brought forward. Nothing has been done, and I am sorry to think that nothing has been done in these days. This is an unfortunate year, in which there are deficits all round, not only in the provinces, but also in the Government of India. It is very difficult to approach a man who has not got money and ask him for the old debts. He becomes generally angry. I hope Government will not be angry with me because they have not got the money. But they have the money. They have got various kinds of funds at their disposal from which they can draw compensatory allowances and all kinds of things. I am not a financier and cannot speak authoritatively, but there is always money enough for these poor people.

Persons have to be provided in two different ways. My second paragraph deals with the second category. In the case of people who serve and die just a little before earning the pension, their case is to be considered. There is another class who join, serve for some time and die and leave nothing behind. Both these cases have to be provided for. The second paragraph which I have introduced is of this nature. Supposing a man joins to-day, he works for two, three, four or five years as the case may be and dies. What is to happen ? I propose that one month's pay for each year's service may be paid to his heirs or to his family or dependants as the case may be. That is a provision for a person dying. There is a precedent for this. In Indian India at least if not anywhere else if a man has served long and he dies, generally they give a pension to his wife and children. If a man dies suddenly, then they also certainly give something to his people. That precedent in Indian India may be adopted by British India. Government is run on refined principles now. So, I submit that in so far as my Resolution has been adopted, it is safe. So far it is all right. As to the next, I hope or I believe that the scheme is ready or is getting ready. In either case provision may be made for the difficulties which I have endeavoured to bring to your notice. It may be that the scheme will not meet with all our wishes or demands that we make, but something is always better than nothing. It may be even a small thing, but even that small thing will carry a poor man a great deal further than total absence of anything at all. In that way, Sir, I hope that if the scheme is ready it may be brought into force at once and not kept in the deliberative stage. Once deliberations begin and you begin to think about it, it goes on practically to be an endless business. You may go on thinking and thinking and may think for 20 years and do nothing at all. If it is deliberative, I hope it will be expedited. If it has been framed, I hope it will be brought into operation at once ; and if any defects are discovered, Honourable Members will always be able to bring the matter up and get the thing discussed and rectified. In either case, there must be expedition, and my chief object in bringing this Resolution was to expedite this matter which has been lying dormant. A great deal of speculation goes on about this matter and then poor people wait and then there is no answer to give them. We do not know what will happen. Nothing happened at all. When we question it is said, "I know nothing about it. You had better ask somebody else". So, Sir, these are the difficulties for which I brought this Resolution forward and I commend it, for the reasons briefly given, to the acceptance of the Council.

THE HONOURABLE SIR ARTHUR McWATERS (Finance Secretary) :
Sir, I am very glad that the Honourable Mr. Khaparde has brought forward

this Resolution as it gives me an opportunity of making a statement on behalf of Government. There are several Members present

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here to-day who were in the House when Mr. Vedamurti's Resolution was debated. The Honourable Mr. Khaparde has given us a correct account of that debate. When I accepted that Resolution, as amended, on behalf of Government, Government undertook to examine the practicability of substituting for the present pensionary scheme either a provident fund scheme or a combination of schemes. They did not object to the principle and they accepted the necessity for a practical inquiry. The debate on that occasion was remarkable for a number of very weighty and important speeches by, among others, the Honourable Sir Phiroze Sethna who is recognised as an authority on insurance matters and the Honourable Mr. Bell who gave useful analogies from business experience in Calcutta, and I think I am right in saying that all of them recognised not only the importance but also the complexity of the question involved. There are three parties involved in this question. First of all the Government servants themselves; secondly, the Central Government, and thirdly, the Provincial Governments. And I might say that the interests of the Provincial Governments are in the aggregate larger than that of the Central Government in this matter in view of the very large number of officers serving under Provincial Governments. The debate on that occasion emphasised the desirability of exploring, in particular, some combination of schemes. It was recognised that one scheme is not all good and another scheme all bad; there are defects and merits both in the pensionary system and in the provident fund system. The pensionary system fails to provide for the families of officers who die before they secure their pension. On the other hand, the lump sum gratuity or provident fund system has the danger that when a lump sum is paid either it may be spent or it may be lost by unwise investment. And, therefore, several speakers specially urged us to consider whether some combination of systems would not be better than either of the systems taken by itself. They also recognised that the only practical method of proceeding with the matter was that we should, on the best advice available, formulate concrete schemes and obtain the opinions of the persons interested.

Well, Sir, the first step we took was to get into touch with the representatives of the Local Governments. We discussed this question with them at the Conference of provincial representatives on at least one occasion, and at the same time we took the opportunity of ascertaining from England the details and the working of the new scheme which had been introduced in the British Government offices, which is a combination scheme involving some reduction in the previous pension in return for a gratuity according to the number of years of service. We also got the Government Actuary to work out the necessary data so that we could, as far as is possible, ascertain what schemes we could put forward that would not throw a largely increased cost upon Government. This is an extremely difficult matter as the House will realise. You have to obtain typical time-scales for different kinds of services; you have to estimate, so far as you can, the prevailing rate of interest for a generation in advance; you have to ascertain the rate of wastage in different types of services. It is a long and complicated calculation, and we have done the best we can although the data even now are by no means complete.

As a result of this enquiry we were able to formulate three schemes. Scheme A was a combination scheme, based largely on the British precedent, in which we suggested that pension should be reduced by one-third in lieu of a lump sum gratuity which would correspond roughly to one year's pay. Scheme B was a development of that scheme in which we suggested that pension should be given up altogether and instead a gratuity of about three years'

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pay should be offered. The third offer, Scheme C, was a contributory provident fund scheme in which it was suggested that Government would contribute one month's pay for each year's service and would allow this, together with the officer's own contribution of a similar amount, to accumulate with interest. That is a scheme which the Honourable Mr. Khaparde himself has mentioned. We circulated these schemes to Local Governments and to 95 Associations of Government servants, and I am able to give the House the broad results of this reference. Sixteen of the Associations said that they preferred the existing system, one gave no opinion at all, 6 said that they preferred scheme A, that is, the combination scheme, 5 preferred scheme B. A vast majority, 67, voted for a contributory provident fund, but only 9 of those were willing to accept it on the terms offered; 47 demanded the same terms as the railway provident fund scheme *plus* the State Railways gratuity scheme, which means a very considerable addition to the contributory provident fund scheme C which I have just mentioned.

Now, Sir, Government have so far not come to a final decision on this question. The last replies received from Associations came in only towards the close of last year, and when I returned to duty from England a little over a week ago I found some 349 pages of opinions of these various Associations to deal with. I have given the House a brief summary of the main results of that reference, but there are a number of subsidiary points involved. Some of them are extremely important. For instance, the question whether any one of these schemes should be made applicable to menials and inferior servants as well as to other Government officers. Anything I say now must be accepted as purely provisional and non-committal, since it was obviously impossible for me to obtain the final orders of Government on this question at the moment.

I think there are one or two broad conclusions which follow from what I have said. The first, I think, is that schemes A and B will have to be discarded. They are obviously so unpopular with Government servants that there is no use proceeding with them. As regards scheme C, the provident fund scheme, I think it is evident that it would be impossible for Government without incurring a considerable amount of extra expenditure to produce a scheme which would satisfy any but a small minority of Government servants. We have to remember two things. First of all, that we cannot introduce a change in terms of service of this kind without the consent of the officers themselves, and secondly, that this is not the time for largely increasing non-effective charges. That is a point which will be obvious to the Members of the House and one which will become more obvious in the course of a few days.

Then there is a special difficulty which applies to existing officers. There is the difficulty of determining the terms of transfer to a contributory provident fund scheme. What practically all the Associations have asked for is that at the time of transfer Government should contribute to the fund an amount equivalent to the commuted value of the assumed pension at the time of the transfer without any medical examination. Well, it is fairly clear, I think, that if we agree to that it would involve a very considerable increase in cost because it disregards the possibility of death or resignation prior to retirement. The average age of Government servants would perhaps be between 35 and 40 and if we take the prospect of life at something over 25 years, to commute the assumed pension of all those officers would cost probably as much as to commute the whole pension of officers at the time of retirement. In addition, Government would be paying for a large number of years their

contribution to the fund. So it is obvious that there is a considerable risk of greatly increased expenditure involved in the terms of transfer. As regards future entrants, this particular difficulty does not arise, and it would be possible for us to introduce a contributory provident fund on that basis. There are however other possible alternatives. One possible alternative would be to make subscription to the general provident fund compulsory for all officers, and I may say that this suggestion has been approved by one at least, if not more, of the Local Governments. Another alternative would be to introduce some system of compulsory State insurance—whether in connection with post offices or in some other way. Those are two other possible alternative ways of dealing with the situation. So far Government have not come to a final decision, but I can assure the Honourable Member that we will, with the material now available, proceed with the matter as expeditiously as we can. I have not dealt separately with the second part of the Honourable Member's Resolution because it is really involved with the first in a consideration of the whole question. I would only suggest to him that in dealing with that part we shall have to consider very carefully the question of expense. I think that the Honourable Member has probably achieved his object in getting this statement of facts from me. He has managed to keep this question alive and I hope that he will not think it necessary to press the Resolution.

THE HONOURABLE SIR MANECKJI DADABHOY (Central Provinces : Nominated Non-Official) : Sir, I was fortunately present when a similar debate took place in February, 1924, in this Council. At that time Sir Arthur McWatters on behalf of Government fully stated the position and said that though he was not prepared to accept the principle, an inquiry into the matter would be made. Seven years have now elapsed since that promise was made, and my friend Sir Arthur McWatters has very kindly assured this Council again this afternoon that he will now expeditiously consider this question. What is expeditious in the case of Government I find it difficult to understand. In these eight years a lot of men in the service of Government, both officials and non-officials, both Europeans and Indians, both gazetted officials and non-gazetted officials, have died before they had reached their pensionable age and left their families in privation and suffering. This Resolution is, in my opinion, of a very humane character. It only asks for bare justice to be done. It only seeks to ask Government to adopt a policy of prudence and caution. My friend Sir Arthur McWatters has said that it would involve Government in a huge expenditure and that it would be unwise in these times of poor finance to introduce such a non-effective change in the administration of Government. Yes. That is perfectly true. We are now in a very awkward position. I know we are in financial trouble. The Budget which will be presented on the 28th of this month will tell a very sorry tale. But may I ask my friend Sir Arthur McWatters, when we had bumper Budgets, when we had large sums of money at our disposal, why did we not adopt this step? Why was this step—a very important measure—neglected by Government? Sir, the Government had promised to take immediate action of some sort on the publication of the Lee Commission Report. That was the promise, if I remember rightly, that Government made at that time. The Lee Commission Report was published more than six years ago, and no action has been taken by Government on this Resolution since that time, and as I have said, meanwhile many families, both Indian and English, have been ruined for want of proper and effective measures, or rather on account of the dilatory policy of the Government of India. I am prepared also to confront my Honourable friend on the question of expenditure. It will, at the

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commencement, involve Government in extra expenditure, but ultimately, in five or seven years' time, adjustment will take place, and if you take 10 years as the adjustment period you will find that the Government on the whole will not lose more money than it will lose every year. The financial position will adjust itself by the introduction of the motion of my Honourable friend.

But what has happened of late? Instead of adopting any measure like this, the policy of Government in the matter of commutation of pensions has been tightened up. Formerly a man when he retired from service had no difficulty in obtaining from Government a commutation of a part of his pension. It was very readily given. Now all sorts of difficulties are put in his way. He has in the first instance to submit himself before a Medical Board. I cannot understand this policy at all. When a man enters Government service he has to go before a Civil Surgeon and obtain his certificate as being fit for employment. But when a man, after 25 years of service, has worked hard, given his life to the service of Government and seeks retirement, has earned his pension and asks for a commutation of that, Government tells him "go to the Medical Board". I cannot understand at all the absurdity of this rule. In other words, the position has been recently made more and more difficult. My Honourable friend Sir Arthur McWatters has this morning told the Council that the subject is a very difficult one. He has classified it under three heads. He has also given figures of the Associations which are in favour of some part of his scheme or other alternative schemes. I quite admit that the problem is a difficult one. It is not a very, very easy question. But it could have been decided long ago. Meanwhile the Government could have at any rate taken some sort of steps on the lines of what we call the English Superannuation Act of 1909. My friend Mr. Khaparde said that relief in this country from time to time has been given. We have in England a very important precedent. I draw the attention of Government.....

THE HONOURABLE SIR ARTHUR McWATTERS: I said in my speech that only six of the Associations were prepared to look at a scheme of that kind.

THE HONOURABLE SIR MANECKJI DADABHOY: But these six Associations were not informed that a sort of temporary relief on the lines of the English Superannuation Act could be given. If they had been.....

THE HONOURABLE SIR ARTHUR McWATTERS: The information sent to the Associations was complete. They were sent a bulky document showing how the various schemes were arrived at. A large number of papers were circulated.

THE HONOURABLE SIR MANECKJI DADABHOY: I do not say that this is to be done in supersession of any other scheme. This is to be a provisional supplementary scheme, in addition to the scheme which the Government could ultimately devise. That was my contention, which I am afraid my Honourable friend Sir Arthur McWatters did not appreciate. The English Superannuation Act contains a small, but very important section and I will bring it to the notice of this Council. Section 2 of the Superannuation Act of 1909 provides for the payment of gratuity in the case of death of future male civil servants. Section 2 states:

"Where a male civil servant who enters service after the passing of this Act dies after he has served five years or upwards while still employed in the service, the Treasury may grant to his legal personal representative a gratuity equal to the annual salary and emoluments of his office."

That is the first part of the section. Please note the humane character of this section. And in the case of one who has served only five years the English law compel: the Treasury to give his legal representative a gratuity. Here in India after 30 years' service a man desires some sort of help and sustenance for his helpless family, and nothing is given. If a man dies when perhaps he has reached the last day of his service, his family and dependants are left wholly unprovided for. The second clause of this section says:

Provided that if he dies after attaining the age of 65 years the amount of gratuity which may be so granted shall be reduced by one-twentieth of that amount for every completed year he has served after attaining that age."

And clause 2 of section 2 states :

'Where any such civil servant having become entitled to superannuation allowance dies after he has retired from the service and the sums actually received by him at the time of his death on account of such superannuation allowance, together with the sum received by him by way of additional allowance, are less than the amount of the annual salary and emoluments of his office, the Treasury may grant to his legal personal representatives a gratuity equal to the deficiency.'

And these are not the only provisions made. In the event of the abolition of an office, which is nowadays done very frequently by the Government of India, if the man has served in that post for five years this Act compels the Treasury to give solid relief to the dependants of the person who has so served. There is no justification in my opinion for Government's neglect to bring in a measure something on the lines of the Superannuation Act of 1909 till a fuller scheme could be devised and adequate arrangements made. We have been told this morning that the matter will be expeditiously considered. I do hope that the financial position of the country will not prevent the Government from doing a bare act of justice to a class of public servants who have rendered valuable service to this country, and I would ask Government at an early date to sympathetically deal with the entire situation.

THE HONOURABLE DIWAN BAHADUR G. NARAYANASWAMI CHETTI (Madras : Non-Muhammadan) : I have very great pleasure in supporting the motion of my friend the Honourable Mr. Khaparde. I think we ought to be very grateful to him for having come up here again with this Resolution after six long years. I find from the proceedings of the Council of State that there was a full-dress debate on this question and the Government undertook to inquire into the matter. Though six years have since passed I am sorry to see that nothing has been done for the families of those unfortunate men who die in harness. So far as this Resolution is concerned I do not think there will be any difference of opinion among non-officials in this House in supporting Mr. Khaparde. The system of a provident fund has been working excellently well on the Railways, both State and Company-managed. I do not see any difficulty in Government accepting that as a basis and working out a similar scheme. We have all known the cases of unfortunate Government servants who die in the middle of their service whose families have been left destitute. That is indeed a pitiable spectacle. Therefore, I hope Government will not delay in the matter any further and will see that some system is introduced by which the families of loyal servants of the Crown who die after many years of service will not be left unprovided for. That is a proposition about which I am sure there will be no two opinions, and I hope that Government will have some concrete proposals to put forward

[Diwan Bahadur G. Narayanaswami Chetti.]

before the next session. I know that the financial position of the Government is not very favourable, but I am sure that if Government only take some trouble they can evolve some scheme. As my friend the previous speaker has said, there may be some financial difficulty at the beginning, but as the years pass there could be adjustment and there will be no difficulty afterwards. I am sure that the Honourable Member on the Treasury Bench will be expeditious in dealing with this matter, and I would therefore ask my friend the Honourable Mr. Khaparde, who has the support of the various sections of this House, not to press for a division at present but to come up again if the Government take no steps in the matter before the next Session.

I have very great pleasure in supporting this motion.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS (Punjab : Non-Muhammadian) : Sir, I strongly support the Resolution which has been so ably moved by my friend Mr. Khaparde and supported by Sir Maneckji Dadabhoy. The case has been put very strongly and I need not dwell much upon the arguments and will not repeat them again. The Resolution wants equity and justice done and I consider that the sooner justice is done the better. I know that the times are hard, but obligations ought to be fulfilled whether the times are adverse or good. I think the Government would be well advised to accept the Resolution and to do what it can in meeting the demand underlying it as early as possible.

THE HONOURABLE MR. ABU ABDULLAH SAIYID HUSSAIN IMAM (Bihar and Orissa : Muhammadan) : About this Resolution of Mr. Khaparde's I may say that it did not take more than a couple of months for the Local Governments to take into account the bulky volumes of the Simon Commission Report, and it is strange that it should have taken them seven years to consider this question after it had been accepted by the Government of India itself. As to the facts, there is no doubt at all about the pitiable condition in which the families of Government servants who die in harness or immediately after retirement are placed. The only question that agitated the mind of Sir Arthur McWatters last time was the financial aspect, and it is still troubling him now. The schemes which he has formulated are not very generous schemes. The A scheme which was accepted by six associations was defective in this respect, that the present rate at which you can commute pension is a little higher than the one that was suggested. There is a difference of about 25 per cent. I think. The C scheme for a contributory provident fund was not accepted because the contribution of Government was very small. If Railways, which are a commercial Department of the Government of India, and ought therefore to be run more economically than other branches of Government service can contribute a greater amount than Government is prepared to do, then it would seem that what is good for a commercial organisation is bad for Government or the commercial department is run extravagantly. It does not seem reasonable that a commercial organisation like the Railways which must be run at the least possible cost should be able to pay more than Government is prepared to do. In the ordinary services of Government that question of cost does not arise and yet you want to reduce the terms offered. If those terms are too generous then I think the Government ought to go out of its way to reduce those terms. The whole trouble comes in because the pension rates are a bit higher than would be possible if we had the combined scheme. What the Government want to do is to distribute no more than the total benefit which at the present

moment they are distributing to about 75 per cent. of their employees to the whole 100 per cent. The people who die in harness and the distress caused to them makes the position of those who live better. That is why people have not been attracted by the new schemes. I wish to draw the attention of the Government to the insurance schemes to which Sir Arthur referred, *i.e.*, compulsory State insurance. That is a very good scheme. That is the best socialistic movement that has been started in the world. It makes the position of the families of those who unfortunately die early better, and those who live contribute a very small amount to the amelioration of the condition of families of those who die.

As regards the Medical Board which was attacked by Sir Dadabhoy I think there is not much point about that, inasmuch as medical examinations are undertaken whenever insurance is done. Commutation of pensions is a sort of insurance. It is quite in the fitness of things that Government should have the people examined by the Medical Board. If pension rates are reduced and brought into line with the contributory provident fund rates, by equalising the two, you will notice that people will join either of the schemes on its own merits. As it is the pension scheme is given a weightage. Therefore it is not easy for the people to give it up. If it is found possible to make the contributory provident fund a little more generous, I think it will be acceptable to the majority of people, as in principle it has already been accepted by them. It is only on the question of terms that they have differed.

With these words, I wish to support this Resolution and commend it to the notice of Government to be accepted for the idea in it, and not for its wording.

THE HONOURABLE RAJA BIJOY SINGH DUDHORIA (Bengal : Nominated Non-Official) : Sir, I support this Resolution and I request the Government to accept it without loss of time.

THE HONOURABLE THE PRESIDENT (to the Honourable Mr. G. S. Khaparde) : Does the Honourable Member intend to say anything to the Council in regard to the Honourable the Finance Secretary's suggestion that he should withdraw the Resolution ?

THE HONOURABLE MR. G. S. KHAPARDE : I am willing to withdraw if a time is fixed within which the scheme will be brought into force. It may be a year—I am willing. But if no time is fixed, then it will be difficult.

As to the reply that I should give, I am very thankful to all Honourable Members for taking my view of the matter and also for sympathetically considering it. There was sympathy on the side of the Government also, but their difficulty is that they cannot fix the time, and my difficulty is that unless a time is fixed, people who have asked me to move this Resolution will not be satisfied. I suppose the only way is to let it go to a division, and we will see what can be done hereafter.

THE HONOURABLE SIR ARTHUR McWATERS Sir, if the Resolution goes to a division and Government oppose it, I should like to say that my opposition does not mean that we necessarily are against any particular proposal ; it is merely that we are not in a position now to commit ourselves as to exactly what proposal we should introduce. If my opposition is understood to mean no more than that, then I oppose it, and I think that the House will be making a mistake if it commits itself definitely to a particular motion which in fact is not even one that has been universally accepted by the Associations

[Sir Arthur McWatters.]

of Government servants; that is to say, they, the majority, only accept a contributory provident fund if they can have it on their own terms. We have to consider the position created by the various replies and on that Government will certainly now within a short time pass a decision. All these six or seven years have not been wasted; they have been spent in very elaborate and careful enquiries regarding different types of scheme in consultation with the people who are actually concerned. We have now got the replies, their opinions and on that I can only assure the House that within less than a year we shall come to a decision. I should have thought that that ought to have been sufficient for my Honourable friend. I cannot promise what the particular decision will be, but we shall in coming to a decision consider most carefully the arguments that have been brought forward on the other side, especially for this type of scheme. I can promise that we shall consider everything most carefully and I am perfectly certain that, so far as I am concerned, the decision will be taken very early.

THE HONOURABLE MR. G. S. KHAPARDE: In view of what has been said now by Sir Arthur McWatters, I ask for permission to withdraw the Resolution.

The Resolution was, by leave of the Council, withdrawn.

RESOLUTION *RE* REDUCTION OF THE ANNUAL SUBSCRIPTION TO THE TELEPHONE SERVICE IN DACCA.

THE HONOURABLE BABU JAGADISH CHANDRA BANERJEE (East Bengal: Non-Muhammadian): I beg to move.

"That this Council recommends to the Governor General in Council that steps be taken at an early date to reduce the annual subscription of the telephone service in Dacca from Rs. 200 a year to Rs. 150 in view of the fact that there is an increasing public demand for the telephone service especially for the development of trade and commerce and that grave considerations of security of life and property make such a reduction essential."

I do not wish to detain this House very long by making a speech. The Resolution is explicit in itself and in view of the fact that an assurance has been given that the rates will be revised, I now withdraw the Resolution.

THE HONOURABLE THE PRESIDENT: Resolution moved:

"That this Council recommends to the Governor General in Council that steps be taken at an early date to reduce the annual subscription"

THE HONOURABLE MR. SYED ABDUL HAFEEZ (East Bengal: Muhammadan): The Honourable Member wanted to withdraw the Resolution.

THE HONOURABLE THE PRESIDENT: I could not hear the Honourable Member's last words. I thought he said he was not making a speech in support of it. The Honourable Member moved his Resolution.

THE HONOURABLE NAWAB KHAWAJA HABIBULLAH (Bengal: Nominated Non-Official): Sir, the Honourable Member asked leave of the House to withdraw his Resolution.

THE HONOURABLE THE PRESIDENT : The Honourable Member moved his Resolution. If he wanted to withdraw his Resolution, he should have done so without moving it, and the House is not concerned. As he has moved it, he will require the leave of the House to withdraw it.

Is it your pleasure that the Honourable Member be given leave to withdraw his Resolution ? (*Members : "Yes".*)

THE HONOURABLE SIR JOSEPH BHORE (Industries and Labour Member) : Sir, I should like to make one observation, and that is, that the Honourable Mover of the Resolution has entirely misunderstood me when he says that I gave him an assurance that the rates would be lowered. What I did say to him, Sir, was that it was in contemplation to have a departmental enquiry into the whole general question of the suitability of the existing rates of telephones charges, and if in connection therewith he wished to send me any reasoned observations, that I should give them my most careful attention. Beyond that I gave him no assurance.

THE HONOURABLE THE PRESIDENT (to the Honourable Babu Jagadish Chandra Banerjee) : In view of that, does the Honourable Member still ask for leave to withdraw ?

THE HONOURABLE BABU JAGADISH CHANDRA BANERJEE : Yes, Sir.

The Resolution was, by leave of the Council, withdrawn.

The Council then adjourned till Eleven of the Clock on Saturday, the 21st February, 1931.

APPENDIX A.

Statement of premature deaths.

Names of employees.	Service.	Dependants.	Remarks.
1. Mr. M. V. Nijasure	22	4	
2. „ V. R. Belsare	27	..	
3. „ G. H. Modak	24	..	
4. „ V. P. Gurjar	24	..	
5. „ J. R. Joshi	20	..	
6. „ S. M. Kano	20	2	
7. „ M. J. Kharkar	28	6	
8. „ V. V. Bapat	20	1	
9. „ A. W. Joshi	24	..	
10. „ V. B. Pendharkar	20	3	
11. „ D. V. Desai	33	5	
12. „ B. R. Apte	20	5	
13. „ G. D. Barve	20	..	
14. „ D. S. Joshi	24	4	
15. „ B. R. Ketkar	29	..	
16. „ N. V. Dato	29	..	
17. „ G. S. Dhopeshwarkar	24	..	
18. „ B. A. Khanolkar	23	..	
19. „ Zuruddin	34	..	
20. „ S. F. Sukhia	29	2	
21. „ K. R. Mudaliar	28	3	
22. „ D. V. Naidu	27	7	
23. „ T. R. Mudaliar	35	2	
24. „ C. K. Mudaliar	26	2	
25. „ A. K. Mudaliar	25	5	
26. „ L. G. Bodas	22	..	
27. „ S. G. Nadkarni	28	7	
28. „ P. V. Subnis	27	5	

NOTE.—Nos. 1 to 19 are from the Bombay Post Offices.

Nos. 20 to 21 are from the Karachi Currency Office.

Nos. 22 to 25 are from the Madras Currency Office.

Nos. 26 to 28 are from the Bombay Custom Office.

In cases where the number of dependants is not exactly known, the column is kept blank.

APPENDIX.

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Names.	Name of the office.	Date of death.	Length of service.	Age at death.	Pay drawn at the time of death.	Number of dependants.
1. Mr. W. N. Bhawe	Currency Office, Bombay.	21-2-1925	Yr. m. d. 30 10 28	54	Rs. 310	Wife and two daughters.
2. „ V. S. Kukde	Ditto	27-12-1930	23 0 10	46	170	Wife and three sons and one daughter (under 12 years).
3. „ M. S. Sahasrabudhe	Ditto	26-1-1927	19 9 4	49	195	Wife and two children.
4. „ R. V. Kelabkar	Ditto	15-4-1928	13 8 9	42	100	Wife and three sons (under 12 years).
5. „ S. M. Ketwal	Ditto	23-3-1927	17 6 10	47	85	
6. „ N. M. Mistri	Ditto	21-9-1928	17 0 21	45	110	Two dependants.
7. „ G. J. Agasker	Ditto	Died two months after retirement.	30 0 0	56	150	Three children (under 18 years).

COUNCIL OF STATE.

Saturday, 21st February, 1931.

The Council met in the Council Chamber of the Council House at Eleven of the Clock, the Honourable the President in the Chair.

BILLS PASSED BY THE LEGISLATIVE ASSEMBLY LAID ON THE TABLE.

SECRETARY OF THE COUNCIL: Sir, in accordance with rule 25 of the Indian Legislative Rules, I lay on the table copies of the following Bills which were passed by the Legislative Assembly at its meeting held on the 18th February, 1931, namely:

- A Bill further to amend the Indian Merchant Shipping Act, 1923, for certain purposes.
 - A Bill to provide for the fostering and development of the gold thread industry in British India.
 - A Bill to provide for the modification of certain import duties relating to the fostering and development of the steel industry in British India.
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GENERAL DISCUSSION OF THE RAILWAY BUDGET.

THE HONOURABLE THE PRESIDENT: The Council will now proceed to the general discussion of the Budget, Part I.

THE HONOURABLE MR. BIJOY KUMAR BASU (Bengal: Nominated Non-Official): Sir, I rise with all the diffidence that is natural to a new Member of this House on making what has come to be called his maiden speech. I do not pretend, Sir, any expertness either in finance or in railways, unless it be the lack of the one and plenty of use of the other. But, after all is said and done, it has been recognised more and more that expert knowledge and undoubted skill in one's special field is of immense value, but all the same the commonsense and the rough impartiality of the man in the street is not also without its use. May I put it, Sir, that I would like to represent that ubiquitous layman.

I desire, Sir, to take the Railway Budget for discussing its features on broad terms and only from a few selected aspects. The Budget as presented by the Honourable the Chief Commissioner for Railways appears, if I may describe it in the form of a general expression, a mark-time budget. I may readily concede that there have been various factors in the present situation which not only account for, but even I may say, justify to a certain extent the mark-time attitude of the authorities. There is, for example, the entire constitutional problem in the proverbial melting pot. There is also, however

[Mr. Bijoy Kumar Dasu.]

much we may have come to hate that word, the "world depression". That depression, if it goes on at the rate that it is going for any considerable length of time, I am afraid would end by reducing us all to depressed classes. Anyway, the landslide in the trade in India is responsible for a good many mishaps in the railway administration. If I pursue the metaphor farther, it is not unusual for us to hear of landslides happening in the Darjeeling-Himalayan or the Kalka-Simla Railways, but we always hear the next day or the day after that everything is set right and through railway running resumed. Such quick and energetic action is conspicuous by its absence in the landslide that has occurred in the Railway Budget this year. Well, as I said, there are certainly a good many reasons for the railway authorities preferring to be content with a superficial patch-up, I should also express my belief that the deterioration is so great, I may even say, so alarming and the repercussions of that deterioration so far-reaching and so grave, that the wisdom of the authorities in adopting a policy of following the line of least resistance is certainly open to question.

Now, Sir, what are the facts of the budgetary position of the Railways. The actuals for 1929-30 were far worse than the revised figures announced at this time last year. The total receipts of 105 crores showed a set back of $1\frac{1}{2}$ crores. The total charges fell by nearly half a crore; that is, the net actual gain was $1\frac{1}{2}$ crores less than the revised estimates with the result that instead of drawing 80 lakhs from the Reserve Fund we had actually to draw 208 lakhs. This withdrawal resulted in bringing down the Reserve Fund to $16\frac{1}{2}$ crores. The revised figures this year are even more cheerless. The total receipts, according to the revised estimates, are expected to amount to $95\frac{1}{2}$ crores, or nearly 8 crores below the actuals of last year. Our total charges would be $98\frac{1}{2}$ crores or about 1 crore more than that of last year. The result is a deficit of about 3 crores. To this must be added the loss on strategic lines and the contribution of the railway administration to the general revenues. The total deficit therefore is expected to be about 11 crores, and this too has to be drawn out of the Reserve Fund. On the 31st of March this year the Railway Reserve Fund according to the revised estimates would have dwindled down to less than $5\frac{1}{2}$ crores. In connection with the method employed to balance the Budget by withdrawing from the Reserve Fund, I believe there are two ways of looking at it. One is the point of view of the railway finance which is really of primary significance to-day and we may also look at it from the view of the Honourable the Finance Member which we would be called upon to do within the course of next fortnight. From the standpoint of railway finance the mode of balancing the Budget is quite proper and reasonable, for after all the Reserve Fund was built up to meet a contingency of this kind. From the point of view of the general revenues it is but cold comfort to the Finance Member that the Railway Budget has been balanced in this way. The payment of the stipulated contribution by the Railways to the general revenues has been reduced to a mere paper transaction—to nothing more than a book adjustment. While the Railways can lay the flattering unction to their souls that they have made their payment, that they have not defaulted, the Finance Member receives actually no cash. His difficulties as regards his own Budget on the revenue side are solved so far as the Railways are concerned, but the ways and means difficulties, which have been acute in the past few months, will become still more acute in the future, and when one comes to think of it the embarrassments of the Finance Member in his ways and means position are bound to have reactions on the Railway Budget.

It is because of these maladjustments, if I may say so, that the Finance Member has had to pull up the Railway Department so drastically and so abruptly with regard to the capital expenditure. An appreciation of what I have now said would make it abundantly clear, I suppose, that the technical balancing of the Railway Budget by recourse to the Railway Reserve Fund could not be deemed to be an altogether satisfactory solution, if we take the Government finances as a whole or as a unit. It is from this point of view that we should scrutinise the Budget anticipations of 1931-32. I am afraid I cannot at all agree with what should be deemed optimistic hopes held by the Railway Administration in framing the figures for the coming year. The total receipts are put down at 101 crores, or about $5\frac{3}{4}$ crores over and above the revised estimates of the current year, and the total charges at nearly 98 crores, that is, half a crore less. On the basis of these figures the surplus of 3.17 crores is anticipated. But when adjustments are made for loss on strategic lines and payment of the Railway contribution to the general revenues, the result is that 4.15 crores is to be drawn from the Railway Reserve Fund which will be thus reduced to $1\frac{1}{4}$ crores. Are there any reasonable grounds, I ask, for these rosy anticipations? On the other hand, are there not a good many anxious features in the situation which not only belie any hopeful outlook but should compel a more cautious and chastened view of the prospect? So buoyant a hope in the present state of affairs may have to be described as foolhardiness and I do wish that the estimates are viewed from a standpoint which is just the reverse of foolhardiness. Thus viewing it, I for my part would not be prepared to place the next year's receipts at a rupee more than the revised estimates of the current year. And let us not forget that the trade depression and the civil disobedience movement made themselves acutely felt in the later months of the year while the next year will open in the acutest phases of adverse factors. If then I must correct and check extravagant hopes, the surplus of 1931-32 estimated at 3.17 crores will have to yield place to a deficit of 4.52 crores, and after making the necessary adjustments the amount that has to be drawn from the Reserve Fund will not be 4.15 crores but 9.84 crores, and the amount to the credit of the Reserve Fund at that time would be only 5.48 crores. There should thus be an uncovered loss in the railway working of 4.36 crores; in other words, we will find at the end of 1931-32 that we could not have even the satisfaction of technically balancing the Budget. In a position such as this, with the railway budgetary position already impaired severely and with the possibility, even a certainty of a big uncovered loss staring us in the face, is this mark-time attitude of the authorities justified? If there are no grounds for such robust optimism pervading the next year's figures, there is no excuse for us to shirk facts and refuse to face realities. I will try, as briefly and as tersely as I can, to put before the House the realities. First of all, we must do something whereby there should at any rate be no uncovered loss. The second consideration is that looking over the matters from this point of view we must vividly and sharply realise that there is absolutely no use in increasing the fares or freights. In the present state of the trade it would amount to debilitating, if not actually killing, the goose that lays the golden eggs. This leads us to the third consideration, that the solution is to be found in bringing down expenditure. Expenditure can be brought down either by retrenchment or by re-organisation or by both, and it is my firm conviction that in the case of the Railways both these methods should be drastically applied. Talking of retrenchment, Sir, a word which is always odious to every one of us, and more especially to the victims, Sir George Rainy, the Honourable the Railway Member in the Assembly, the other day said that he admitted that a reduction of salaries will have to be effected "in order that the Railways may become

[Mr. Bijoy Kumar Basu.]

fully solvent and able to contribute to the extent the Legislature may consider proper to the general expenses of Government". But, he added, that the Railway Department would agree to the reduction of salaries only if such reduction should be general and applicable to all Departments of Government. May I venture to suggest, Sir, that this attitude of the Honourable the Railway Member, to put it very mildly, is not at all helpful? If each of the Government Departments should think on lines similar to this, who is going to take the initiative and who is going to begin? As the Honourable Member had the honour of bringing up the earlier Budget in the Legislature, I should have thought that he would have taken his courage in both hands and led and showed us the way. In my opinion immediate steps should be taken to reduce, first of all, all perquisites, allowances, emoluments and what not—there are lots of things there—to the barest minimum, and at the same time a sliding scale of reduction should be forthwith put into operation. If I may suggest a rough and ready method it should be quite feasible to adopt an arrangement whereby all wages and salaries up to, say, Rs. 100 are kept intact, salaries of from Rs. 100 to Rs. 500 reduced by 10 per cent., and all salaries above Rs. 500 by 20 per cent. At the time when the scales of salaries were settled, about, I think, eight years ago, the wholesale price index for India was in the vicinity of 175. It is to-day 100. That is to say, the pre-war level has been reached. Why should then there be any objection or outcry if the scales of salaries are reduced to the pre-war scales, making of course allowance for such lag as there has been in the cost of living index? Before I leave this aspect of railway finance, I would beg to urge, with all the emphasis I am capable of, that the Government should give up their time-old policy of flirting with retrenchment proposals. They should here and now take full and drastic measures on the lines I have indicated or on similar lines.

Sir, I now wish to refer to a matter of more general importance. It will be recalled that at the time when the convention for separation of the railway finance from general finance was decided upon it was clearly understood that the whole thing was in the nature of an experiment, and that at the end of a specified number of years this convention should be reviewed in the light of the experience gathered and in reference to the way in which the separation has worked in practice. In pursuance of that understanding a Committee was appointed in the last Assembly to report on the convention. The Committee evidently did not take the work seriously and after a time sought to shirk its own responsibility by passing it on to a Sub-Committee. The Sub-Committee proved a chip of the old block. They also did nothing and so it went on till that Assembly ceased to exist. The Sub-Committee and Committee also ceased to exist, but one thing which has continued to exist is the convention, and the existence of that convention is thus due to a negative more than to a positive factor. May I ask why the Financial Commissioner for Railways, who was a member of that Committee, did not see that its work was finished expeditiously and properly? We have the instance of the Age of Consent Committee, which did its work in proper time and finished its labours. We have likewise the External Capital Committee which was responsible for a very fruitful report. It seems to me that the Committee appointed for examining the convention for separation of the railway finance from the general finance failed to achieve anything because it suited the Railway Board that it should achieve nothing. I am not alone in thinking, Sir, that the separation which was meant to make the railway administration autonomous resulted in autocracy rather than autonomy, and if the

undertaking given to the Legislature at the time when the convention was agreed upon be understood, not only in the letter but also in the spirit, I would not be considered as indulging in any exaggeration when I say that the continuance of the present position of the railway finance separated from the general finance is unconstitutional if not exactly illegal. I do hope that a more careful attempt, an earnest attempt, will be made now to have the convention properly and impartially examined and that the authorities will not seek to postpone it again on the plea of impending political reforms. Sir, it reminds me that a friend of mine once averred that if he had the choice of two alternatives, one of having political Swaraj and the other of being entrusted with power to run the railway administration in this country, he would unhesitatingly choose the latter. The main idea is that the Railways of India are by far the most valuable asset of the nation and if its management be conducted in the national interests it should render incalculable good to India in numberless directions. It is from this point of view that I have tried to study the Railway Budget and I urge that it is from this standpoint that everyone of us, be he official or non-official, should approach the question of the Indian railway problem. I only hope, Sir, that my remarks and criticisms will be taken in the spirit in which they are made. I did not want to make carping criticism, but the things I have pointed out occurred to me and I thought that the administration may take a sympathetic view of these criticisms and act up to them.

THE HONOURABLE MR. P. H. BROWNE (Bengal Chamber of Commerce) : Sir, in rising to make a few remarks on the Railway Budget I think I might state that probably most of us are very glad that we did not have to produce a Railway Budget under the present conditions. I think even my friend the Honourable Member who spoke last would probably have had considerable difficulty in producing a better one. At the same time I entirely agree with him on some of the points of economy which he raised. It is very satisfactory to learn that the working expenses for the current year show a reduction of 2 crores 12 lakhs on the original budget figures and I think the staffs of the various Railways should be heartily congratulated on this achievement. I observe that in the estimate of earnings for the year 1931-32 there is an increase of about 6 crores over the figures for the current year, of which 1½ to 2 crores only are accounted for in minor alterations in rates and fares. I am afraid, Sir, I agree with the last speaker that this is unduly optimistic. There are no indications of improvement in trade and I feel that after trade conditions have improved it will be a very considerable time before those many millions of passengers who have not travelled this year will begin to travel again. On the expenditure side the estimate for 1931-32 is 41 lakhs less than the current year. This will no doubt entail rigid economy on the part of the various Railways. I had personal evidence of one of these economies when I recently travelled from Calcutta to Delhi. In the carriage in which I travelled the bed would not pull out, the door fastening was broken, the glass in the bath room door was broken, the drain pipe of the basin leaked, and the whole woodwork badly needed varnish. In view of the fact that the Honourable Mr. Russell indicated in his speech that we must all bear part of the burden, he may be interested to hear that though I may have this carriage again, I am not writing to the Agent of the Railway to suggest that the carriage be scrapped or even repaired. After hearing how the Railways had loyally co-operated to cut down expenses and to effect economies, I searched through the mass of literature I received in connection with the Budget to ascertain what economies had been effected in the central administration of the Railway Board. I find that in the Demands for Grants on page Nos. 1 and 2 that the total expenditure for the Railway Board is estimated at over Rs. 16 lakhs but that

[Mr. P. H. Browne.]

a decrease of Rs. 65,000 is expected in the coming year. It is satisfactory to see in Item No. 1, that having spent Rs. 60,000 on furniture last year they would not be buying new furniture this year. The debit of Rs. 15,000 is transferred to another Department which of course is an economy of a kind, and a reduction of Rs. 20,000 is expected in the contingent expenditure of the Railway Board. These savings are counterbalanced by an increase of Rs. 30,000 on account of the annual increments of pay of officers and staff. In that connection I should like to mention that many business firms have had to make cuts in the salaries of their staff or have decided in some cases that no increases would be given until trade improves, and I would put this point before the Finance Department of the Railways.

Then, Sir, looking further into the statement of the accounts, I see that there are 25 officers in the Railway Board head office; five Directors, five Deputy Directors and a number of others. Then I see that in 1930-31 there were six Superintendents and in 1931-32 there is an increase of one, seven Superintendents being budgeted for. But going into the figures I find that increase of one came into 1930-31 judging by the figures of the revised estimates for that year. Also I see two officers are included on special duty. They were not in the original estimate for 1930-31, but they came into the revised estimate for the year which means that while the Railways were all being called upon to strain every effort to economise, there were three extra officers who came into the establishment, possibly temporarily, of the Railway Board headquarters in the year 1930-31. I notice that there are no temporary officers budgeted for in the year 1931-32; I trust none will come into the revised estimates. On the second page we have the subordinate establishment. The number of assistants and clerks has been increased to 109 for 1931-32 from 94 in 1930-31, presumably by taking into the permanent staff the 14 temporary clerks, employed in 1930-31. But I regret to see that for 1931-32 a further 14 temporary clerks are budgeted for, and I suppose in 1931-32 or rather in the Budget for 1932-33 they will be incorporated in the permanent staff. Again 18 servants who were shown as temporary in 1930-31 are apparently taken into the permanent staff for the coming year, with a total increase from 78 to 99, or three in addition to the 18 temporary men. The totals for 1931-32 seem to show a very large increase.

Then we come to the most serious heading of all budgets, "Contingencies". In the contingency budget for 1930-31 the amount was Rs. 2,86,000, but I regret to see that the revised estimates show Rs. 3,35,000—a very heavy increase. The Railway Board hope to make a saving in the contingency account this year and the budget is Rs. 2,52,000. I trust a similar increase will not be found when the revised estimates for 1931-32 are investigated.

Sir, I readily admit that many of these items that I have referred to are small, but I do feel that it is somewhat disheartening for the Railways who have been continually exhorted to practise economy to find the expenses of the Central Board steadily increasing, and I commend this point to the earnest consideration of the Board.

Sir, the members of my constituency look with some slight suspicion on any Government Department, and I regret to say that I have even heard it whispered that the personnel of the Railway Board with its wages bill of over Rs. 16 lakhs could be considerably reduced. I trust that in view of the urgent need for economy we shall find when we examine the revised estimates for 1931-32 that instead of the budget figures of headquarters being exceeded by Rs. 65,000 as in the present year they will be at least reduced by a similar

figure. One often hears it stated in connection with budget figures for expenditure that the cost of such and such item has been included in the budget and therefore that money must be spent in that year, otherwise that it must again come in for sanction in the following year. I would ask the Railway Board to impress on all Railways that even though expenditure has been budgeted for, it should not be incurred unless it is absolutely essential.

THE HONOURABLE MAJOR NAWAB SIR MAHOMED AKBAR KHAN (North-West Frontier Province: Nominated Non-Official): Sir, allow me first of all to congratulate the Honourable the Commerce Member and the Chief Commissioner of Railways and the Members of the Railway Board on their skilful handling of this year's Budget in the face of the acute trade depression and other causes affecting the railway returns. The economies they have resorted to, the improvements in the service conditions of lower paid employees and the reduction in the cost of repairs and maintenance are other matters for applause and thanks.

About the Budget, Sir, I wish to make a few remarks. To meet the necessary expenses it is felt a few alterations may be made in the wages in the fares and in the freight charges. About the wages problem, Sir, of course I do not claim to speak authoritatively, but it is obvious that apart from the lowest paid employees the upper grades and the gazetted officers' wages are considered to require adjustment with the depreciation of agricultural produce. Economies have to be observed in certain contingencies. Other Governments, especially the Labour Government in England, are now faced with the same problem in the matter of the General Budget. Reduction in wages, Sir, is one of the means usually adopted to bring down the working expenses. Whether this is feasible or not, or how much and what percentage is to be reduced rests with the authorities concerned to decide. And whether this formula is to be observed in other departments or not is a different though parallel question, which I do not feel called upon to enter. It is however not unreasonable, Sir, to hope that if in the presence of a phenomenal fall in food-stuff prices like the present the department enters upon a policy of discriminate reduction it may save them a round sum.

The other point I wish to speak about, Sir, is the enhancement of the railway fares. This is a method, Sir, which is very difficult to be dogmatic about, for, as the Railways are with the motor competition, the trade depression and the consequent general shortage of money. I am not in a position, Sir, to direct the authorities concerned in this matter but I suppose the bus competition which has seriously affected the total of passengers and the inability of the bulk of the third class passengers to pay increased fares will be duly considered.

Then, Sir, is the question of the withdrawal of concessions for the carriage of agricultural produce. The cultivator has to contend these days with over-production, the import of foreign wheat and the fall in foreign demand. All these, Sir, have affected the prices which have well-nigh ruined the cultivators. It cannot be denied, of course, that the reduction in freight from the Punjab to Karachi and Calcutta has failed, to give an impetus to the export of wheat and other produce. But even if this concession is withdrawn the ryot who has been very hard put to it to meet the revenue this year will be brought to the verge of starvation. The reduction, Sir, cannot solve all their difficulties, but it is a help anyway. But if concession for agriculturists for local carriage is granted or allowed to remain, it may save the ryot a pretty penny. I would therefore suggest, Sir, that the agriculturists should not be deprived of this help in the matter of freights.

[Major Nawab Sir Mahomed Akbar Khan.]

Sir, I have time and again put in a few suggestions before the Railway Board, but considering the heavy deficit of this year's Budget, on account of multifarious causes which have cut a deep gash in the purse of landlords too, I refrain from laying any more suggestions. Of course, the construction of a line from Mardan to Charsadda and Mardan to Swabi coupled with the linkage of the Baluchistan and Frontier lines, i.e., Fort Sandeman to Pezu, would be of great importance, strategic and commercial, to the Department; but, Sir, as I see no scope for further construction this year, I do not wish to burden the department with further responsibilities.

To economise I make the following suggestions. The Publicity Department should be altogether abolished, but if the abolition is altogether impossible then expenditure under this head should be considerably reduced. Weekend return tickets must be revived because its stoppage would bring less income to the Railway Department and would be more helpful to the motor bus traffic. New posts in the Department must not be created and those made in recent years must be kept in abeyance until the railway finances improve.

THE HONOURABLE RAI BAHADUR PROMODE CHANDRA DUTTA (Assam : Non-Muhammadan) : Sir, it is usual at the commencement of a budget discussion to congratulate the Honourable Member who presents the Budget. If I depart from this time-honoured practice, it is not because I think that the Honourable Member in charge has not done his best in the extraordinary circumstances in which he finds himself but because the outlook is so depressing and the future so uncertain that one does not feel in that easy mood in which alone one's congratulations can be natural and sincere. Not very long ago, the Railway Budget showed a surplus of 9 crores of rupees; for the coming year the Honourable Member in charge has budgeted for a net gain of 1½ crores only. If our annual contribution to the general revenues is taken into account the Budget really shows a deficit of Rs. 4 crores. The year following we shall probably be told that there has been no gain on the year's working as the contributory causes are still at work. The main cause of trouble is said to be a world-wide trade depression which as far as we are concerned has been accentuated by the civil disobedience movement. Civil disobedience will, we hope, be a thing of the past before long. What frightens me is the main cause with all its disastrous implications. How it came about and how it can be ended are questions which baffle the ordinary mind. It is here that the layman expects light from the expert. That light has not been vouchsafed. Nothing worries people so much as the uncertainty about the future.

Perhaps, Sir, the depression has its root in causes beyond the control of any one nation. I have seen it ascribed to over-production, to manipulation of currency, to a combination of these and other causes—all in their ultimate analysis traceable to an unholy competition for the good things of the world. But is there any way out of this tangle? That is what we would like to be assured of—but the assurance is not forthcoming. The general feeling is one of despair about the immediate future.

The Honourable the Railway Member has rightly pleaded for retrenchment and economy and examined some possible directions in which they may be effected. One of them is the reduction of wages and salaries on the Railways. I do not know if there is any legal difficulty in the way. This point has doubtless been examined—for we hear talks of reduction in other departments as well. But apart from technicality, the question requires very careful

consideration. In the first place, whatever may be the views of the Governments, Central and Provincial the Government servants are not among the most loyal subjects of His Majesty and if you make the conditions of service more onerous for them, which a reduction in their salary necessarily involves, you will strain their loyalty almost to the breaking point. They have absolute faith in the security of their pay and a reduction will rudely shake their faith and create more discontent than would be good either for them or the Government they serve. Nor does the time seem particularly propitious for a measure like this in view of the political conditions in the country. It is true that there has been a sufficient drop in the commodity prices with a corresponding rise in the effective value of all salaries while professional classes, merchants, traders and others, have had their earnings considerably reduced. But it must not be forgotten that the officers in the lower ranks had never had enough in the best of times and that the drop in prices only affords them a much needed relief. If however a reduction in the salaries is imperative these drawing Rs. 200 or less a month should be exempted while a sliding scale should be adopted as in the case of the income-tax so that the percentage of reduction may rise with the size of the salary. The justice of this is obvious—those who can bear the burden best should be called upon to make the most sacrifice. I hope the reduction is not intended to be permanent and that with the emergence of better times the existing rates will be restored.

It is not clear from the Honourable Member's speech whether the amounts deducted from the salaries will be a gift to the nation or refunded when funds permit. If they were taken as a loan to be repaid without interest at a subsequent period or at the time of pension or upon death if earlier, it would go a great way to reconcile the officers to their lot.

Lastly, a great economy can be affected by modification of the leave rules and of rules relating to leave allowances and by stoppage for a time of periodic increments. Also the abolition of one post in the higher ranks will effect more saving than a 10 per cent. reduction in the salaries of a hundred or more officers in the lower ranks. In any scheme of reduction these views should receive adequate attention.

Sir, I do not pretend to be able to make any very useful contribution to the discussions about the rates and freights and other questions of high policy. For the present I am content to leave them in the hands of the Honourable the Railway Member. My ambition is rather provincial and I wish to bring to his notice and the notice of the House the treatment that we in Assam receive at the hands of the Railway Board. Assam is a far cry from Delhi and does not possess the lusty lungs which the older and the more fortunate provinces do. As a consequence, its wants do not receive a tenth part of the attention they deserve. The province is divided into two valleys separated by a range of hills on which its capital—the town of Shillong—stands. From my district, its straight line distance is only 72 miles. Would it be believed that to reach it we have to make a detour involving a railway journey of over three hundred miles and that with certain stops on the way it takes us no less than 40 hours to complete that part of the journey. The Government of Assam is now constructing a motor road from Shillong to the town of Sylhet on the north bank of the river Surma. Nine-tenths of the district, however, lies to the south of it and if the whole district is to be connected with Shillong a bridge over the Surma is essentially necessary. As the result of some correspondence between the Government of Assam and the Railway Board, we were told that the latter had undertaken to build a bridge and further extend the railway line, which has its terminus on the south bank, on to a few miles on the north bank along

[Rai Bahadur Promod Chandra Dutta.]

the projected motor road. There is a very general demand for this extension and the Government of His Excellency Sir Laurie Hammond is very keen on it. But the Railway Board some time ago informed the Government of Assam that it cannot undertake the work for three years at any rate. An excuse for further postponing it will not be difficult in the present state of the Railway Budget. If the projected extension had been effected, not only would it make the journey to Shillong more comfortable but relief to the provincial exchequer would be considerable. It would also open out inaccessible areas and facilitate the transport of valuable hill products which for want of adequate facilities do not now find a market.

Another much-needed extension is the construction of a branch line from the sub-divisional town of Maulvibazar to connect it with the main line of the Assam Bengal Railway. It is only a matter of a few miles: I believe the survey was completed some time ago; as we were expecting the work to commence, there came the news that it had been postponed.

Sir, the Assam Bengal Railway which is the main line serving Assam, in its majestic career forces its way through a stretch of about 100 miles of bleak, barren hills which produce nothing and as far as one can see will never produce anything unless a miracle is to happen. As a feat of engineering it is a marvel, with its 33 tunnels and well worth a look; as a commercial proposition it is a permanent debit. If the huge amount spent in constructing these hundred miles had been spent in the plains all we could wish for in the way of a railway for years to come would have been achieved long ago.

Then, Sir, in June, 1930, the districts of Sylhet and Cachar, through which the Assam Bengal Railway passes, were visited by a disastrous flood the like of which had not happened in living memory. An idea of the havoc caused by it may be gathered from the fact that a non-official relief committee formed with myself as its President spent as much as one lakh forty thousand rupees in gratuitous relief—that the Government of Assam spent a like amount for the purpose and that in addition it granted *takari* loan to the extent of about 26 lakhs for the reconstruction of houses and other purposes. There was a loud and insistent cry that the railways were to a great extent responsible for the unprecedented inundation that had taken place. They cut across natural streams and obstruct natural drainage without providing waterways sufficient in number and size. A demand was made for a thorough inquiry into this matter and the Government of Assam in pursuance of a Resolution passed by the Assam Legislative Council appointed a Flood Enquiry Committee on which the Railway Board was represented. As President of the Flood Relief Committee I had been invited to appear before the Enquiry Committee to give evidence. These experts made mincemeat of me. They talked jargon which I did not care to follow and would not be able to follow even if I tried to and they tried to impress on me that the flood was really due to excessive rainfall. Sir, if experts are bad witnesses, they are worse judges. The lawyer in me rebelled and I told them, "Look here, Sirs, there can be no flood without water and there can be no water without rain. But when you find a difference of two feet in the level of water on either side of a railway line, is that also due to excessive rain?" Let that pass however. Among the recommendations made by the Committee was the widening of a bridge costing rather a large sum—I speak from memory not having the report before me. The bridge has not yet been widened. I was told that there was some little trouble as to who should pay the piper, the Railway or the Government of Assam. The Railway fortified by a statutory provision that after

ten years, of the working of a line it has no responsibility for defects in construction or things of that sort repudiates the liability. Assam is the poorest province in India and is now practically bankrupt.

Another instance of this kind occurred when I was a member of the Government of Assam. A bridge had been made too narrow—a usual feature of all Assam Bengal Railway bridges—and it obstructed the natural drainage so effectively that a very large area around became water-logged. Apart from damage to crops malaria broke out in a virulent form, the people affected complained year after year, the place was visited by the Director of Public Health, Assam, more than once, who reported that the bridge must be widened so as to allow free drainage. The Railway Board would not accept his conclusions but when driven to a corner took its stand on the statutory safeguard and condescended to widen it provided somebody else found the cost. I made a demand for the necessary amount in Council. I was assailed with the cry “If the fault is the railway’s, why should it not pay?” It was with the greatest difficulty that I got the Council to give me the money. The bridge has since been widened. Will the Railway Board see the justice of our demand in the present instance and get the Assam Bengal Railway to widen the bridge at its own cost?

Then, Sir, the Assam Bengal Railway specializes in inconveniencing the public. I plead in advance for the indulgence of the House for referring to what may seem to them to be trivial matters. Let me give the House an account of my journey from the town of Sylhet, where I reside, to the station of Chandpur, where I get into touch with civilisation. To start with, the river has to be crossed. When it is low, both the banks are steep and involve an ascent and descent of some 20 yards. No steps are provided on either side and chances of accidents are not too few. To *pardanashin* ladies and old men the crossing of the river is a great trial. Then you have to walk a good two furlongs before you reach the station. But your trouble does not end here. If you have a lady with you you will have to improvise a sort of platform for her to get into the train—usually your trunk does duty for one. This difficulty is not peculiar to the Sylhet station. Very few stations on this line are provided with platforms. Then at 9 o’clock in the evening you have to get down to change into the main line when the same troubles await you. Finally, you are deposited in Chandpur, in the early dawn, when, if it should rain or be cold, coolies are not much in evidence and you have to carry your belongings on your shoulders over the over-bridge. The public have represented more than once that for the convenience of passengers from Sylhet, which is the most important station in the district, a through train or one or two through carriages may be run up to Chandpur, but to no effect. The Assam Council drew the attention of the Government of Assam to some of these public grievances but were told that Railways are a central charge and that they could do nothing but would forward the debates to the Railway Board for such action as they might think necessary. If they have been forwarded we have not yet heard. At any rate none of these public grievances has been removed. This is my only justification for referring to what may appear to Honourable Members to be trifling matters but which nevertheless affect the comforts and convenience of a very large number of the travelling public. Then, Sir, on my way here I have travelled on the Assam Bengal Railway and on the Eastern Bengal Railway and the East Indian Railway, and what a contrast between the first and the last two. Yet the Assam Bengal Railway charges much higher rates than either of the other two. To it we pay far more, from it we get far less and of the main lines in India the

[Rai Bahadur Promode Chandra Dutta.]

Assam Bengal Railway has the unique distinction of refusing to issue return tickets between two stations on its own line.

I hope, Sir, the Railway Board will please bring these complaints to the notice of the Assam Bengal Railway and put pressure on it to take the necessary action with a view to their removal.

THE HONOURABLE SIR MANECKJI DADABHOY (Central Provinces : Nominated Non-Official) :

12 Noon.

Sir, in offering a few observations on this year's Railway Budget I feel constrained at the outset to commiserate with the Honourable the Chief Commissioner for Railways in the anxious and arduous position in which he has found himself this year. I remember last year, when he delivered his maiden address in this Council, he asked the House with his usual modesty to treat him with indulgence, as he styled himself an inexperienced recruit to this Council. I find that within a short period of 18 months since he assumed the office of Chief Commissioner for Railways he has not only managed the affairs of a colossal Department like the Railways with great skill and ability but he has brought to bear on the execution of his duties the shrewdness and instincts of a commercial man. I find in the last two reports of the Railway Budget indications of a marked change in the policy of the railway administration, and the sole credit of that is due to Mr. Russell. The principal and very significant part of that policy is the desire and inclination to effect drastic economies in the administration of the Railway Department. It is a very cheerful sign of the times because the Railways have been considered in the past as one of the greatest spending departments that we have. Working under the shadow of his great chief, Sir George Rainy, whom I welcome here to-day—and I may parenthetically remark that he gives us pleasure once a year by honouring this House with his presence, and I hope that we will see him more frequently in this Council in the future—Mr. Russell has achieved wonderful results. Sir, this year's Railway Budget is rather discomfiting, but I do not share that despondency and that despair which I have noticed in the speeches made this morning by several Honourable Members who have preceded me. I am a great believer in the Railways. I am a great believer in the elasticity of our railway revenues and I do not at all despair of the future that is in store for our Indian Railways. A department in which we have invested 700 crores, or the equivalent of 500 million sterling, is bound in more prosperous times to yield results which will not only be satisfactory but very encouraging. This year's unfortunate position has been explained in great detail by the Railway Member and three causes have been assigned, firstly, the economic depression which this country is going through, secondly, the civil disobedience campaign, and thirdly, the great strike on the Great Indian Peninsula Railway last year. These three are the main causes undoubtedly, but I would to those add two more causes. One is the mischief which the Soviet Government has been doing in this country during the last two years and the rather inadequate manner in which the Government of India has dealt with that campaign. Secondly, as is always common in all industries in times of plenty, the policy of the railway administration has been one of extravagance. Happily, during the last two years, there has been a marvellous change for the better in that connection. However, Sir, without troubling the Council with any figures, I may say that there is no reason for despondency, because I have taken the trouble of checking the figures since the separation convention and I have found that before 1929-30 we made an average annual profit of a little over 10 crores of rupees in the past. No

other country in the world can show similar results in the matter of State Railways or in the efficient administration of this department. I am glad that the Railway Department has made up its mind to enforce drastic economy in the various departments under its control, and I agree entirely with the Honourable the Railway Member that this drastic economy ought not to be confined to a few main and important items, but ought to be extended to every detail and branch of railway activity. If such economy is effected in all the numerous directions we would be in a position to make extensive savings. The two or three illustrations which the Railway Member gives leads one to the conclusion that if this policy of retrenchment is vigorously enforced it will lead to very satisfactory and hopeful results.

Sir, in connection with this year's Budget I feel grave apprehensions about the prospective depletion of our reserves. Since the separation convention has operated I have religiously and most emphatically pressed upon Government the necessity of accumulating railway reserves as far as is humanly possible. I think that those reserves form our anchor sheet in times of stress, difficulty and anxiety. About a couple of years ago there was some talk of putting a limitation on these reserves. It was stated that we had built up reserves to the extent of about Rs. 18 crores and there was no necessity for piling crores upon crores of rupees in this connection. I then stated, and I am glad I am now in a position to repeat my argument again this year, that these reserves, however colossal they may appear, are a very small fraction when you come to consider the crores of rupees of expenditure which are involved in the running of our Railways, and the great market fluctuations which take place from time to time, and therefore it is essentially necessary that these reserves should be steadily built up to a colossal figure which would enable us to surmount all financial difficulties and difficulties of the character with which we are confronted to-day. It is a sad thing to contemplate that at the end of 1932 our Rs. 18 crores will have in the main disappeared. We have already drawn a little over Rs. 2 crores to settle and adjust the accounts of 1929-30. At the end of this year we shall find ourselves compelled to draw a further Rs. 10 crores and 86 lakhs from these reserves, leaving a small balance of Rs. 5 crores and 74 lakhs. This must set us thinking of the dilemma in which we would find ourselves unless we conserve our resources, practise and enforce drastic economy in our railway administration, and also effect such salutary changes which may lead generally to a better administration of the Railway Department. This year too we have drawn a large sum of money for our capital programme from the Depreciation Fund. Honourable Members are probably not aware that this Depreciation Fund, so far as the Railways are concerned, exists only in name. It is a sort of intangible figure on the books of railway accounts. There is no such money existing. This depreciation money exists in our books, on paper. Whatever money we carry to depreciation every year goes to the general revenue; it is absorbed in the general revenue. I would therefore like to see, for the maintenance of our solid position in the matter of Railways, in the maintenance of railway stability, I would like to see our Depreciation Fund put on some definite basis, perhaps some statutory basis. I would like our Depreciation Fund to be earmarked for the purpose of being used only for depreciation purposes, such as renewals and repairs and not to be utilised for capital expenditure. I know I shall be confronted with the objection that in all big commercial concerns where a depreciation account is opened the depreciation fund is utilised for general purposes and not limited to renewals of machinery, etc. This is perfectly correct. It is an unfortunate position in which we are now. I wish some statutory provision is made in the Indian Companies Act preventing commercial concerns and organisations, specially factories, from utilising

[Sir Maneckji Dadabhoy.]

their depreciation fund for extension of their works. Such funds ought to be strictly utilised for the purpose of renewals and repairs only. In England I see of late that there has been a tendency to move in that direction ; where new companies are formed I have noticed that in the powers given to Directors of new concerns they have made it obligatory that the sanction of the large body of shareholders should be first obtained before such depreciation funds could be diverted to any other purpose.

Sir, it is a matter of great pity that our capital expenditure is to be reduced this year. I am a great believer in Railways. In the last few years we have made a rapid progress in the construction of new railways. In India there are about 40,000 miles of open lines. I should like to see 100,000 miles in India ; I should like to see a network of railways all over India ; and if there is one thing which will really lead to the prosperity of the country, it will be cheap transport and construction of railways all over the country. In a vast continent like India 40,000 miles of open lines is apparently nothing. These railways have led to the prosperity of the country in the last few years. From 1923 to 1930 has marked the period of the greatest activity in our Railways. We have spent 214 crores of rupees in the construction of new lines since 1923. We have carried out the recommendations of the Acworth Committee practically. As you are aware, the Acworth Committee recommended heavy capital expenditure on rehabilitation and equipment to the extent of 30 crores of rupees being spent annually for five years on the construction of new lines. That Committee's Report was endorsed by the Finance Requirements Committee in 1922, and they suggested that we should spend without intermission 30 crores annually in the construction of new lines.

THE HONOURABLE SARDAR BAHADUR SHIVDEV SINGH UBEROI (Punjab : Sikh) : Where is the money to be provided from ?

THE HONOURABLE SIR MANECKJI DADABHOY : As I just told the Council, between 1923 and 1930 we had spent 214 crores ; 214 crores in seven years. This year we are spending only 21 crores ; we are taking a sum of about 11 crores from our Depreciation Fund. We are spending 3 crores by utilising materials from our stock, and the rest will be new capital. My friend Mr. Uberoi asks where is the money to come from. My friend Mr. Uberoi who is a very old Member of this House ought to know that the Railways have been a very profitable investment to this country ; railways in the past have paid us handsomely ; railways in the future are going to pay us handsomely, and even if we have to borrow large sums of money for capital expenditure on Railways, I shall be one always here to support that policy.

THE HONOURABLE SARDAR BAHADUR SHIVDEV SINGH UBEROI : Even by paying 33 per cent. of the income in interest ?

THE HONOURABLE SIR MANECKJI DADABHOY : Yes. You ought to know also that there is a margin between the interest paid and the profits earned.

Now, Sir, the only question which remains is what are we going to do to rehabilitate our present position. I quite agree with Sir George Rainy who has suggested the consideration of three methods. He says there are only three methods available, firstly, to make a cut in the wages of the employees, secondly, to raise rates and fares, and, thirdly, to consider the question

of relief to the general taxpayer in the matter of our financial contribution to the general revenues. My friend Sir George Rainy in an excellent speech made in the other House has dismissed the last point with a very few observations. I am not inclined to agree with my Honourable friend Sir George Rainy in this matter. I am of opinion that the time has now come when we must seriously consider whether we could keep up indefinitely the present financial contribution to the general revenues. I think before long the separation convention, as far as this part is concerned, must be carefully examined. I think railways are in the nature of general utility companies. They render a public service: they must be made self-dependent, they must be placed in a position to meet their full expenditure out of their earnings even if they have not to contribute anything towards the general revenues. The service rendered by the railways is of an exceptional character and you cannot possibly compare them with other services. I know there are some difficult and complex problems involved in this question and I really appreciate that position. In connection with it we shall have to consider the general question of finance. I have no time to refer to any of these matters here, but I do hope that at an early date this problem will be examined and carefully reconsidered. It is time now, in view of the exceptional circumstances prevailing in this country—I say it is obligatory now—to reconsider the details of the separation convention.

As regards wages, I am entirely in agreement with Sir George Rainy of the difficulties involved in it, but sooner or later, Sir, we will have to go in for a general cut in the wages of the Railway Department. Of course, as Sir George Rainy has pointed out in his speech in the other House, you cannot single out the Railway Department without making a similar cut in other departments of Government, as it would cause a great amount of discontent and would hardly be considered an act of justice. I entirely agree with that view, but it must be remembered at the same time that during the post-war period gradually the rates of all articles, of all commodities, have come down and the present scale of wages was fixed and enhancements were made immediately after the war to meet the special requirements of that time. There has now been a substantial reduction, and I firmly believe that this reduction is going to stay, we are not going to see high prices of commodities again in the future, at any rate for many many years. If that position is coming back I do not think it is fair to the general tax-payer that the high rates of wages should continue to exist. I do not think there is any question of emotion or sentiment, though there are many people who are guided by emotion or sentiment in this matter and say "Oh, no, we cannot possibly reduce the wages". I say "No, you will have to reduce wages if the present position is going to be permanent".

As regards rates and fares, I think it would be useless in my opinion to increase rates and fares in this period of economic depression, in these troublous times, because it is not going to yield to you more revenue. Sir, this Budget is of exceptional importance. I can only hope that with the valuable assistance of the Chief Commissioner for Railways and with the great experience of Sir George Rainy we will be fortunate enough to tide over this great trouble, and I do hope next year things may improve, conditions in the country may generally improve and we may have another spell of prosperity.

THE HONOURABLE SIR DINSHAW WACHA (Bombay: Nominated Non-Official): Sir, no doubt the revised estimates reveal a yawning deficit, but this was inevitable, for the full reasons stated by the Honourable the

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Railway Chief Commissioner. Having regard, however, to all the circumstances of the case, I think this Railway Budget on the whole must be deemed satisfactory. A good deal of healthy criticism has been made by previous speakers, especially by my Honourable friend who represents the Bengal Chamber of Commerce and my Honourable friend Sir Maneckji Dadabhoy. Sir Maneckji is also a practical man of business and has made several suggestions which I doubt not will of course be borne in mind by the Chief Commissioner. At the same time my Honourable friend Sir George Rainy, who is a great stalwart and a robust Railway Member, will, I am sure, be able to dispose of all these criticisms. I have full faith in his ability and believe that before he leaves this Chamber he will satisfy all the critics in this House.

(At this stage the Honourable the President vacated the Chair which was taken by the Honourable Sir Maneckji Dadabhoy.)

I do not want at the present moment to go into detailed figures. Figures in a popular assembly are rather tedious. Though I know a great deal on this subject I do not want to weary the House for any length of time by going into details. But I should like to detain the Council for a few minutes during which I would prefer to give a very brief retrospect of railway finance during the last half of the nineteenth century. The Railways were begun in 1853 or 1854, and for the next 50 years, owing, of course, to their novelty in the country their finances were not what one could have desired. Neither was popular confidence established. In those days the finances of the Government of India were also very, very poor. Between 1853 and 1900 or 1903, that is, for 50 years, there was an average net loss of one crore per year. It is no doubt true that some railways, like the East Indian Railway and the Rajputana-Malwa Railway, were working at a profit, but the net result, as just stated, was an average annual loss of one crore for half a century. That is *the* one signal broad fact which should be borne in mind. While considering the Budget Honourable Members should take into account what immense progress there has been and what assistance the Railways have given to the Government of India. After 1904 the tide turned in favour of the Railways. Almost all of them began to be paying, so much so that between 1904 and 1914, just before the war began, we were better off in point of finance, and the Railways were giving us a large surplus. And what was the purpose for which this surplus was used? For the benefit of the tax-payer. And why? In what respect? There was almost always a deficit more or less in the general revenues every year; and were it not for large surpluses from Railways in those years the Government of India would have been poorer and new or enhanced taxes would have been imposed; and naturally they would have been burdensome to a large extent. The Railways came to the help of the Government of India between 1904 and 1914 and even thereafter. But in the interval there continued to be a prolonged wail from successive Finance Members over deficits. As I pointed out several times at many a meeting and on various platforms how far Railways were a very important and most valuable asset in the whole administrative system of the Government of India. Honourable Members should bear in mind that when you have a colossal department of great complexity to manage, there must necessarily be here and there some leakages, some mistakes, and so on. All the same we have to be content and take a broader view, a wider view, of what the Railways have done. The Railways have produced wealth, that wealth which some of our extremist friends are going to destroy and create unspeakable havoc in the country. This is most deplorable and I consider it to be political suicide on the part of these short-sighted persons. Leaving that apart, I do say that the Railways are the most important and the mos

valuable asset in the Government of India. During the last three decades gigantic strides have been taken and incalculable improvements and developments have been witnessed. That being so, what may the future of the Railways be ought to be seriously considered. Of course, there is this cry of despair. Crises have come and gone before. Of course the one now prevailing is a most acute one, but I do entertain the hope, with my friend, Sir Maneckji Dadabhoy, that better days may follow next year and thereafter. We need not sit silent in utter despair saying, "We are going from bad to worse". I think after all we should hope for the best. Hope springs eternally in the human breast, and as an individual, I am inclined to be moderately optimistic about our Railways; and for the tax-payer also, because, the greater the surplus of the Railways, and the larger the reserves built, the more useful will it be for rainy days as well as for capital expenditure. As for capital expenditure, I may remind Honourable Members that in 1907 the Home Government appointed a Committee in London to enquire and report how far capital expenditure for Railways could be raised and in what manner. Lord Rothschild and Lord Inchcape were the two expert members of that Committee. Both of them strongly recommended that if whenever sterling loans were raised for Railways money was cheap, it would be prudent, always for the Government of India to raise a larger sum than what was immediately required for that particular year, in order that it may be reserved for another year when money had to be raised and that at a higher rate of interest. That money so kept in excess of immediate wants could be meanwhile put with some bank or other at interest. That is the policy which I wish every Railway Commissioner and every Railway Member might well bear in mind. Because, if the finances are not good, if we are not able to borrow money at a fairly cheap rate, there will be progress *backwards* or progress arrested. To avoid such a contingency this reserve of cheap money would prove highly beneficial. When you criticise the Railways you have to see how far they are in difficulties, how far our credit may go. You have to take a broad view before you criticise what has been actually done. Since 1920 we have been doing very well, specially since the separation of the general revenues from railway finance. The reserve built up during the past seven years has helped us greatly during the prevailing depression. Pray, consider what would have been the embarrassment if there had been no such reserves to fall back upon. The burden of taxation would have been greatly increased. Then the cry would have been raised, "We are already over-burdened; here is a cruel Government tyrannising us." If the Government is obliged to impose further taxation, Government do not put all the money raised by taxation into their own pocket. It is only for public use and to mitigate the burden of taxation. If the public have only commonsense enough to understand the question, I do not think they will blame the Government, as far as the Railways are concerned, in the way that they sometimes do. I would ask you to remember in retrospect that larger history of railway finance for the last three-quarters of a century before you say anything more on the subject. I am so very glad that the Chief Commissioner has in his budget statement said that economies are being made in every nook and corner. During the current year it may not be very much, but in the ensuing year I doubt not he will be able to save a considerable expenditure without impairing efficiency. Many a mickle makes a muckle. 10,000 here or a lakh or 50,000 there when put together would make a very large sum. I think the prospects of Railways are very good and I do believe, Sir, that next year we will be so far free from trade depression and internal difficulties as to enable the Railway Commissioner to bring before you a Budget as prosperous as before, which will go a great way

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to relieve the tax-payer from the very heavy burdens which might otherwise be imposed upon him. Please remember that the Railway surpluses in former years have always been used by the Government of India to meet their ever increasing civil expenditure. As a matter of fact there have been in the past many a time a deficit in the General Budget which was met out of surpluses of nett railway earnings. If these things are remembered and if Honourable Members implicitly confide in the railway administration as now administered by very able experts they may be sure that next year we shall all have to congratulate the Railways and the Government of India on what they shall have done to bring back former prosperity. (Applause.)

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS (Punjab : Non-Muhammadan) : Sir, when going through the papers in connection with the Railway Budget, I have not been able to trace why there has been a comparative loss in earnings when the passengers carried have been more than in the years past. In the year 1929-30 there were 1,41,87,300 passengers carried on all the Railways in excess of the previous year and the average mileage of each passenger who travelled rose from 35.6 to 36.3, and the gross income from passengers rose by Rs. 33,94,000. When everything has been on the increase, Sir, I cannot understand how there has been a comparative loss. It seems that the reason for this is the very heavy increase in working expenses by Rs. 2,63,42,000 as compared with the previous year. I think, Sir, that in these working expenses there ought to be a heavy retrenchment. As the outlook is gloomy, I suggest the following retrenchments. In the first place, I would retrench the Publicity Department in India and overseas. That Department, as far as one can gather, has brought about no increase in traffic. From the reports I see that there has been a 6 to 8 per cent. fall in the upper class passenger traffic and one per cent. fall in the third class passenger traffic. The second retrenchment that I propose is that all the military concessions in passenger and goods service which Railways give to the Army Department ought to be withdrawn.

THE HONOURABLE MAJOR NAWAB SIR MAHOMED AKBAR KHAN :
No.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : Why not ? Thirdly, I propose that the Army Department ought to bear the loss on strategic railways. Our yearly contribution to the Army Department is 56 crores and with the fall in prices of raw material and foodstuffs, etc., I think the Army Department can afford to bear this legitimate expenditure. Fourthly, I want all the superior appointments which have recently sprung up on all the Railways to be abolished. One of those appointments is the appointment of Sports Officers. I think in bad times such appointments ought to be done away with. Fifthly, as my friend the Honourable Mr. Browne has pointed out there ought to be a decrease in the superior establishment of the Railway Board. Then I come to the Agents' offices. There ought to be a good deal of retrenchment in the establishment and staff of the Agents of the various State Railways. I find that on the Bengal Nagpur Railway and the Madras and Southern Mahratta, with a mileage of about 3,000 miles each, the expenditure on the Agent's office is three lakhs, while on the Great Indian Peninsula and the Bombay, Baroda and Central India, with a similar mileage, it is five lakhs, while on the East Indian Railway it is 10 lakhs. Why so ? Seventhly, I propose that there ought to be a general reduction in salaries and allowances of

superior establishment to the extent of 20 per cent. and in the case of upper subordinate staff drawing over Rs. 250 a month of 10 per cent. From the figures before us, which the Honourable the Commerce Member has given, I find that in the event of this proposal being adopted a saving will be effected of about one crore and 10 lakhs in the year. Eighthly, I propose that the Divisional system which was introduced on State Railways some time back ought to be done away with, because that has involved a greater expenditure and failed to give as much efficiency as was expected from the change. Then the new proposal to separate accounts and audit ought to be postponed to a later date, if it meant more expenditure. Some time back the Carriage and Loco. Departments were separated but after an experience of some time it was found that that was quite unnecessary and was a wrong step to take, with the result that both those departments were re-amalgamated. I propose that in like manner the Transportation and Commercial Departments of State Railways should be amalgamated. This could be very easily done by putting two senior Deputies in charge of each department under the General Traffic Manager. Eleventhly, I propose that in order to get more passenger traffic and to increase the railway earnings the running of restaurant cars of all sorts ought to be discontinued until better times come in. That could be done by adverting to the old practice of giving longer halts at refreshment room stations. I do not want to decrease amenities for passengers but as the times are difficult I think that for some time we ought to bear with this inconvenience. The junior and menial staff ought not to be decreased, because they are already at the minimum and the saving effected thereby will not be very much.

Now, Sir, I come to the question of Muslim representation in the railway services. Of course I wish that the legitimate share of every minority community in all the departments should be adjusted, but that adjustment must not be made entirely at the expense of the Hindus but should be made at the expense of all non-Muslims.

THE HONOURABLE MAJOR NAWAB SIR MAHOMED AKBAR KHAN : Including Christians ?

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : Yes, including Europeans, Anglo-Indians and Christians. My friend the Honourable Nawab Sahib has drawn my attention to the European and Anglo-Indian element. I find that at present 62 per cent. of the existing appointments in the superior posts on railways are occupied by Europeans and Anglo-Indians. As regards Muslim recruitment, I wish to say that communal representation according to their population ought to be taken into consideration in every department of the Railways and not only in a few selected departments. I mean that in workshops, in the mechanical workshops and the running staffs, in the employment of luggage porters, and everywhere, let communal representation come in. Although I do not myself advocate communal representation, still as that is the established policy of the Government, let it come in for Muslim and other minorities, but let there be a definite rule and proportion fixed. The door to recruitment of Hindus and non-Muslims ought not to be totally prohibited. If members of a minority community have to be recruited to redress an existing disparity, a certain higher percentage ought to be fixed. I know of some cases in which non-Muslims have been totally excluded whenever any vacancies have had to be filled. That creates bitter feeling. I desire that a certain percentage should be fixed and that percentage should be observed in filling appointments by competitive examination. Of course with communal representation efficiency must always be kept in view, as I

[Rai Bahadur Lala Ram Saran Das.]

know of many cases in which competency has been altogether put aside in this matter, but I urge that efficiency should always be taken into consideration and ought never to be sacrificed.

(At this stage the Honourable Sir Maneckji Dadabhoy vacated the Chair, which was resumed by the Honourable the President.)

As regards fares and freights, I understand that owing to general depression on all the British and Continental railways facilities in passenger fares and goods freights have been given in order to get more traffic. But the Indian railways on the other hand have proposed increasing fares and freights, which I think will not be a proper step to take as it will not add very much to the revenues. There is a general opinion, Sir, that the cancellation of week-end return tickets on the North Western and East Indian Railways has not been a step in the right direction. I am also of the opinion that this instead of bringing in more revenue to the railways will add to their loss. I therefore urge that the issue of week-end return tickets be revived. The depression in the railway earnings is on a par with the general depression in trade as well as agriculture. I need not go into the reasons which have led to that depression ; but I must say, Sir, that when the buying power of the masses is increased and when there are prosperous times, the railways will also prosper along with other people who are engaged in trade or in agriculture. Therefore, Sir, I propose that there ought not to be any increase in fares or freights.

Then, I come, Sir, to the question of increased efficiency in the maintenance of track, etc. I find that in that a big reduction has been made. The other day when the question of running the mail train on the Southern Punjab portion of the North Western Railway was being discussed, I was told that as the track was too weak to run a mail fast enough it was decided to divert the mail from that route to another. For the safety of the travelling public, Sir, I think that in the maintenance of the track and in the maintenance of coaching stock only that much reduction ought to be made which does not adversely affect the safety of the travelling public.

THE HONOURABLE SARDAR BAHADUR SHIVDEV SINGH UBEROI :
Sir, I venture to make a few general observations about the Railway Budget. I need not assure my friends the Honourable the Commerce Member and the Honourable the Chief Commissioner for Railways that they have our sympathies in the present times of adversity as far as the revenue of the department under them is concerned. Two reasons have been adduced by the framers of the Budget regarding the fall in the revenue, firstly, the trade depression in the whole world, and consequently in India, and, secondly, the civil disobedience movement which was started last year. Perhaps they have not minded to consider a third reason for the reduction in revenue, which in my humble opinion is the keen competition of the motor buses and the lorries which are running in competition with the Railways. They afford much more facilities to the passengers than the Railways. I think a passenger can be sure of starting on his journey just within an hour after he makes up his mind to leave his home, whilst in the case of the Railways one has to wait for hours. I can say from my own experience of my province how keenly motor buses and lorries are not only offering competition in the passenger traffic but they have begun to take goods from many commercial places to the hills and to stations which are near by. I happened once to count the number of motors and motor lorries within a distance of 36 miles from the headquarters

of the North Western Railway to another very big commercial town, Amritsar, and I counted 30 lorries and motor cars crossed me within a distance of 36 miles. My own town is a military station and a station of very great commercial and industrial importance and there are only two or three trains leaving that place for Lahore, the headquarters of the North Western Railway, but the lorry traffic is so increasing that there are over 50 lorries plying between Wazirabad and Sialkot, Lahore and Sialkot and Sialkot and Jammu. I have heard in my travels many remarks, not from laymen but from the servants of the North Western Railway, that the timings have been so fixed as not to take into consideration the convenience of the travelling public and the competition which the lorries are offering to railway traffic. Allow me to give one instance. Sialkot is 86 miles from Lahore and the train takes more than five hours to reach from Sialkot to Lahore while a lorry can take passengers within three hours. Not only is the competition of the lorries responsible for the decrease in the traffic, but the timings fixed for the trains, at least in my part of the country, are responsible to a great extent for unpopularising the traffic by railway. There is no doubt an increase in the traffic of third class passengers, as has been remarked by my friend Rai Bahadur Lala Ram Saran Das, and there is a decrease in the traffic of the upper class passengers. It is due only to the depression in trade. It is not due only to the civil disobedience movement. It is due to the reduction in the power of the purse of the general public who travel by the upper class. When we go into the figures we find that there is a deficit in the income of the present year. There is also a reduction in the expenditure for which I think the Honourable the Chief Commissioner deserves credit. But the ratio of the reduction in the expenses is much less than the ratio of decrease in the income. The Honourable the Commerce Member while presenting his Budget in the other House remarked that the Railway Department should be considered a solvent department. No doubt it is and no doubt we wish this department prosperity every day. It has been remarked to-day on the floor of this House that the Railways are the greatest asset for the country. For this reason our hearty good wishes go to bring prosperity to this Department. What I wish is that the Railway Department should not only be able to form a reserve to meet adversity days, to meet the deficit budgets, as the present one is or the next one may be expected, but I also wish that the Railway Department may be able to make such a saving as to enable it to pay off some of the debts of the capital account. We find on looking at the figures that the Railways earn about 100 crores annually; about that sum, a few crores more or less, and for earning that amount they have to spend 65 crores for running the big commercial concern. Added to this 65, 33 goes in interest on the capital charges. Of course I am not an expert in finance, but I would certainly submit this question to my Honourable friend Sir Maneckji Dadabhai, a concern which spends more than 50 per cent. on running it and earning the income and spends 33 per cent. on interest on capital charges, could it be safely said to be a profitable concern at all? This is of course the financial position from which I look at the

1 P.M.

Railway Budget. It is the general principle of economy that when we do not find means to raise our income we must try to cut down our expenses; in other words to cut our coat according to the cloth we have. Of course the Honourable the Commerce Member and the Chief Commissioner are very optimistic in making the estimate of income for the next year. I would submit with all the emphasis I can command that they should not be too optimistic in making the estimates for revenue but that it would be safe to be rather pessimistic in this regard. One cannot say with any amount of certainty how the circumstances of the country would be in the next year. We hear that Russia is trying to send to India

[Sardar Bahadur Shivdev Singh Uberoi.]

a large amount of wheat for the purpose of under-selling it. Is it certain that we will have the same amount of traffic as we had in the last year or in the current year? Can it be said with certainty that we will have the same amount of goods traffic as is expected to come off in the figures given by the Honourable the Railway Member in the budget estimate? I would rather be a pessimist in this respect with all the good wishes which every well-wisher of India has in his heart for the return of prosperity and peace in the country, all the future is hidden in darkness. So I would make a suggestion that when providing for the revenue they should not venture to provide five crores more than what they hope to get in the current year. I would like the figure to remain as it is in the revised budget.

Much has been said, Sir, by my Honourable friend; as regards retrenchment in expenditure. Though I agree with the principle that under the circumstances this is the one very important remedy of meeting the deficit budget I cannot venture to make any suggestion whether the retrenchment should be made in this direction or the other. I am a layman and I cannot say whether the retrenchment in the number of services or the retrenchment in the pay of the services or retrenchment in any other direction would be suitable. But what I venture to suggest is this that a Committee should be formed immediately consisting of some experts of the department but having a majority of non-officials to go into this question with all the seriousness that it requires and then they should make recommendations whether it would be sound to make the cut in the salaries of the staff from the upper grade to the lower grade, whether it is necessary to make a reduction in the number of services in the railways, whether it is necessary to make a reduction in the contingent expenses or in what way a reduction could be made commensurate with keeping the efficiency of the Department and also commensurate with the needs of the services of the Department and bearing in mind the agreements which the employer has made with the employed at the time of employing him in the Railway Department. So this is my suggestion, Sir, which I would venture to make, to set up a Committee to go into this question and then to formulate its recommendations to bring about retrenchment in the Department.

I am much obliged to the Honourable Member for Commerce for providing these two very interesting documents to the Members. One is the Memorandum by the Railway Board on the elimination of racial distinction in railway services, and the other bears the heading "Muslim representation in the railway services". I would like to make a few observations on this. Reading through the first memorandum, that is, the elimination of racial distinction, I find that there is an increase of only 24 in the number of Europeans and Anglo-Indians from the year 1926-30 while there is an increase of Indians from 1,443 in 1926 to 2,339 in 1930. I think they deserve our thanks for this, and I wish that the speed of Indianisation is accelerated so as to bring the figures exactly in accordance with the recommendations of the Lee Commission. When I go to the second memorandum, Sir, I am a bit puzzled to see the title given to it. The reading of the first page of it, Sir, shows that in March, 1923, the Legislative Assembly adopted the following Resolution :

"That this Assembly recommends to the Governor General in Council that in making new recruitment for the services under the control of the Central Government steps be taken to secure that the services are not unduly overweighed with representatives of any one community or province and that as far as possible the claims of all communities and provinces are considered."

This Resolution was accepted by Government, and then the Home Member or the Member-in-charge on behalf of Government expressed the views of the Government in the following language :

"In this matter, as explained by Sir Malcolm Hailey in the House, namely, that while the Government of India would not seek to represent the minority community in the services under their control they would attempt to prevent a preponderance of any one class or community in the service under their control."

I beg you pardon, Sir. I will read it again.

THE HONOURABLE THE PRESIDENT: The House will excuse the Member from reading it again. Will the Honourable Member continue from where he left off ?

THE HONOURABLE SARDAR BAHADUR SHIVDEV SINGH UBEROI: Very well, Sir. This means that the Government accepted this Resolution of the Assembly so far as regards the over-weightage of any class or community was concerned. They did not seek to represent the minority community and the result was that the Government decided that two-thirds of the appointments will be filled by examinations and one-third by nomination to make up the inequalities of the minority communities. What I beg to say at this moment, Sir, is this that whilst the Government accepted the Resolution for the representation of the minority communities, may I ask how is this pamphlet entitled "Representation of Muslims in the Railway Department?"

THE HONOURABLE MR. MAHMOOD SUHRAWARDY (West Bengal : Muhammadan): May I draw attention to the words "Muslim minority?"

THE HONOURABLE SARDAR BAHADUR SHIVDEV SINGH UBEROI: Thank you. May I ask, Sir, is there no other minority community of equal importance as the Muslim minority in India ?

THE HONOURABLE MAJOR NAWAB SIR MAHOMED AKBAR KHAN: No.

THE HONOURABLE SARDAR BAHADUR SHIVDEV SINGH UBEROI: There is. The Sikhs, though I have no wish to minimise that community.

THE HONOURABLE MR. ABU ABDULLAH SAIYID HUSSAIN IMAM (Bihar and Orissa : Muhammadan): If Muslims get representation in all the Railway services in proportion to their population they will not complain and ask for more.

THE HONOURABLE MAJOR NAWAB SIR MAHOMED AKBAR KHAN: They (the Sikhs) are much inferior in numbers to the Muslims.

THE HONOURABLE SARDAR BAHADUR SHIVDEV SINGH UBEROI: Is number to be considered? Well, very good. If you are satisfied with numbers only, then take your firm stand on that and don't demand 33 per cent. in every branch of the Government. Like a bold man, take your stand on the numbers in every branch of the administration of the Government and do not demand more.

THE HONOURABLE MAJOR NAWAB SIR MAHOMED AKBAR KHAN: Do the Sikhs abide by the same ?

THE HONOURABLE SARDAR BAHADUR SHIVDEV SINGH UBEROI :
I will answer that later on.

THE HONOURABLE THE PRESIDENT : The Honourable Member will please address the Chair.

THE HONOURABLE SARDAR BAHADUR SHIVDEV SINGH UBEROI :
I beg your pardon, Sir. Let me say that I have no grudge at all to the Muhammadan community taking its due share in the services. I will be the last man to say a word. Let them come forward and have their due share but not at the sacrifice of the other minorities such as the Sikhs, etc., who are equal in importance to the Mussalman community. They are in their own province as important as the Mussalman community, and they have rendered to the Government such good services that the Government should not forget that community when taking into consideration the claims of the minority communities. I will not weary Honourable Members by giving figures of the representation of my community. I feel it my duty to bring to the notice of the Railway Department the claims of my community on this occasion. I would simply quote two instances to show how the members of my community are inadequately represented in that Department. In the Service of Railway Engineers, there are over 300 men on the cadre and out of that there are nine Sikhs. In the Transportation Department there are in all 125, and there are only three Sikhs and two of them are simply probationers. As I have said, I have no grudge in the least. Let my friends, the Muhammadans, have their due share, but I cannot let this opportunity slip without giving expression to the claims of the community to which I have the honour to belong and of which I am a representative in this House.

Just one or two words about what my friend Sir Maneckji Dadabhoy said. He wishes to see 100,000 miles of railway in India. He is quite right. Everybody would like to see that, because Railways have immensely contributed to the prosperity of the country. But the question is, "Where is the capital to be found?" If the capital is to be raised on loans at a high rate of interest, I would say that there should be no capital work on Railways in our country. We are under a killing burden of debt and the high rate of interest which is being paid nowadays on loans raised by Government is also very killing. I would venture to suggest with all the emphasis I can command to the Honourable the Commerce Member not to undertake any capital work in the next year if he has not got funds to carry it out. Let the schemes which are in hand be completed but do not take any capital work in hand, because I find, as I have just said, that out of the income 33 per cent. goes to interest, and I would leave it to financiers to say how far such a concern could be considered a profitable concern.

THE HONOURABLE SIR GEORGE RAINY (Commerce and Railways Member) : Sir, it was to be expected, of course, in view of the nature of the Budget statement which my Honourable friend Mr. Russell laid before this House, that the discussion to-day should concentrate itself to a very large extent upon the present financial position of the Railways, and the measures which, in the opinion of Honourable Members who have spoken, are best fitted to bring about an improvement, and such a financial state of affairs as we should all wish to see. Before I touch on these questions, perhaps I might say a word or two on some of the points taken by other Honourable Members, and it might be convenient, I think, to refer first to what fell from

my Honourable friend Rai Bahadur Promode Chandra Dutta, about the condition of things in Assam, in the railway in which he is chiefly interested. Quite obviously, in his opinion, it left a very great deal to be desired. The three improvements about which he was most concerned were, in the first place, the construction of a railway and road bridge across the Surma between Sylhet Bazaar and Sylhet, in the second place, the enlargement of certain railway bridges in order to prevent damage from floods, and in the third place, the introduction of minor improvements on the Assam Bengal Railway such as raised platforms at the railway stations. I understand from my Honourable friend Mr. Russell that the first matter, the bridge over the Surma, is under consideration, and that at present no decision has been arrived at. I should imagine, however, that whatever the decision may be, it is not at all likely to be possible that we can spend any money on that bridge next year. As we have said very distinctly in the Budget statement, we do not propose to undertake any new construction in the course of the coming year and this bridge, which, if constructed, would be part of a new piece of line, comes under the ban like other projects, excellent in themselves, which we should like to undertake but which we cannot at present do. I had not previously heard the specific complaint made by my Honourable friend about flood damages which he attributes to the railway embankments, but I will ask the Railway Board to look into the matter and let me know about it. Finally, there was the question of the minor improvements such as raised platforms. I am afraid that so long as the financial position remains as it is, it is going to be very difficult on all Railways to find money for matters which I quite admit are of importance to the convenience and comfort of the travelling public, and which I should be very glad if we could see our way to undertake. I am afraid they will have to stand over like a good many other desirable things.

Perhaps, what I can most conveniently take next is what fell from my Honourable friend Sir Maneckji Dadabhoy, and I should like to thank him for the very cordial way he spoke of the attempts of the Railway Department to discharge the trust which has been placed upon it. The particular point in his speech on which I should like to say a word is about the Depreciation Fund. I know that there are differences of opinion as regards the proper method of dealing with depreciation funds. There is a school of thought that holds that the fund should be strictly reserved for purely depreciation purposes. On the other hand there is a good deal of support from professional accountants for the method by which the Depreciation Fund is invested in the business and is not actually separately invested until the time comes when it is wanted for replacing wasting assets. I have no doubt that when the separation convention comes under examination that matter will be considered. But I should like to point out exactly what the consequences would be if the plan favoured by my Honourable friend were adopted. For instance, in the current year I think the figures are that we propose to appropriate to the Depreciation Fund 13 crores of rupees and to spend from the Depreciation Fund 8 crores of rupees. Under the plan at present followed the Finance Department becomes responsible for the 5 crores which is the difference between the two sums, and what practically they do with it is to use it to meet the capital programme of the year, whatever that may be. In effect, therefore, the money is re-invested in the Railways. But if the other plan were followed, it would be necessary to invest that sum in securities, presumably in Great Britain or in America, and we should be short by 5 crores of the money for the capital programme. It would certainly mean I am afraid very much slower progress in railway development. That naturally leads me to say a word about the question of the separation convention and what fell from my Honourable friend Mr. Basu. He said it was his maiden speech but I observed

[Sir George Rainy.]

no traces of timidity or indeed of anything but great experience, and I should like to congratulate him, if I may, upon the temperate way in which his criticism was expressed, and also on the very clear way in which he put his points. Now about the separation convention and the Committee which was appointed to examine it, I should like to say this. I explained in another place last year that the conviction had been growing in my mind that it was impossible satisfactorily to settle that question apart from the big constitutional problems that were coming upon us, and I am more than ever convinced of that now. But what is quite certain is that the convention will have to come under examination in connection with the constitutional changes. It is absolutely inevitable. Apart from any particular proposals which might be made, obviously, at a time when as part of the constitutional settlement the whole question is raised of how far existing sources of central revenues might be assigned to the provinces, the question of the contribution of the Railways to central revenues must come under examination, as well as the whole future system of administration for the Railways under the new constitution. That, I think, is inevitable. I should like to add one other reason which, I think, afford some cause for satisfaction that the attempt was not made to revise the railway convention hurriedly two years ago. I think my Honourable friend Sir Maneckji Dadabhoy has referred to what was said at that time about the accumulation of reserves to an extent far beyond any real necessity. But, the experience of the last two years has shown that those reserves were not by any means excessive and indeed the doubt that now arises in one's mind is whether they were adequate. If we had revised the convention two years ago we should have revised it as the result of the years of prosperity, and if it is revised in the coming year we shall have not only the years of prosperity to guide us but also the years of adversity, and I think we shall be in a far better position now to estimate what the necessities of the case really demand.

I will try now, Sir, to deal with the various points that have been raised on the big question of economy. I think the principal criticism which has been made by various Members is this, that our estimate of earnings for the year 1931-32 is over-anguine and that we shall not in fact get the amount of revenue that we hope to get. I should be the first to admit, that at a time like this, when we try to estimate what the coming year may have in store for us, we are all making shots in the dark and any estimate we make can be little better than guesswork. But I do feel that, gloomy as things look just now, there is a danger of over-pessimism and I do not think it is unreasonable to hope that there may be in the latter part of the coming year some improvement in the conditions. Look back on what happened in previous years. The year 1907-08 was one of those years I think which were bad years for the Railways, and if the past is any guide to the future it means that those depressions which badly affect railway earnings are not necessarily in their acutest form of very long duration. On the other hand, it is quite possible my Honourable friends may be right and that we in the Railway Department are not right. If that were so, then these big questions which I mentioned in another place would become extremely urgent and would have to be faced, namely, the question of a cut in wages and salaries, the question of possible increases in fares and freights, and the whole question of the contribution the Railways can reasonably make to general revenues. They would arise inevitably, and as I said in introducing the Budget in the Assembly, unless due weight is given to each of them, I doubt whether a satisfactory solution of our difficulties can be reached. I quite admit the truth

of what has been urged by several speakers that, with the existing depression in trade, it is not by any means certain that an increase in rates and fares would mean an increase in earnings. On the other hand, if the position became even more acute than it is now, I do not think we could put aside that possibility and we might have at any rate to make the attempt in order to see whether more revenue could not in fact be obtained. As regards reduction in salaries, I do not know that I have a great deal to add to what I said when I introduced the Budget in the Assembly, but I should like to repeat what I said in the Assembly in replying to the general discussion as regards one particular suggestion that has been put forward, namely, a very substantial reduction in the pay of gazetted officers and upper subordinates and no reduction at all in the pay of people drawing less than Rs. 250. What I said then and what I repeat is this, that I do not see how on any principles of justice and equity that proposal could be justified. There can be no doubt at all that the fall in prices has directly affected the cost of living of the lower paid employees to a much greater extent than it has of the higher classes of employees, and if and when a reduction in salaries and wages becomes necessary, it is quite true that there may be a point near the bottom of the scale where Government might feel—and the Legislature might feel—that it would not be desirable to go below that point—the figure I mentioned in my speech was Rs. 30 a month—but if the desire is to obtain some substantial saving in expenditure from a reduction in wages and salaries it is not possible to stop at the gazetted officers and the upper subordinates ; it will be necessary to go a great deal further than that.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : I would like the principle underlying the imposition of income-tax and super-tax to apply, namely, the higher the income, the higher the taxation.

THE HONOURABLE SIR GEORGE RAINY : My Honourable friend will forgive me if I do not on this occasion enlarge upon matters which are clearly not relevant in connection with the Railway Budget. Though I listened to what fell from my Honourable friend with attention on this subject of economy, I can only say that I found myself in disagreement with almost everything that he said. For instance, he suggested that as a measure of economy, the separation of accounts from audit should be postponed. Has he satisfied himself that that would in fact lead to any economy ? Does he suggest that the separation is going to increase the aggregate expenditure ? That is not my impression. I have always understood that it was accepted by the Standing Finance Committee on the basis that as a matter of fact, it did not involve an increase of expenditure. Then he said that it was quite unnecessary to make any reduction in the number of lower paid appointments, because they were already down to the minimum. How does my Honourable friend know that ? It is a very large statement referring to all the Railways of India to say that there can be no occasion for any reduction of that sort, and in a speech which laid special stress on economy that particular statement struck me, I must confess, with a very considerable amount of surprise.

Let me turn now, Mr. President, for the time is getting on, to what fell from my Honourable friend, Mr. Browne on this same subject of economy. I am grateful to him for drawing my attention to the matter of the expenditure in the Railway Board's office, and perhaps he will be interested to know that, as a matter of fact, we think it will be quite possible to make some reduction in the number of officers employed at headquarters in particular

[Sir George Rainsy.]

branches, and I believe it is likely that two appointments, permanent appointments, will be held in abeyance. But there is a certain distinction to be drawn between a trading concern and an institution like the Railways which cannot in adverse times curtail its operations to the extent that a trading firm can do. Let me take, for instance, the staff department of the Railway Board's office. If that department is expected to carry out all the work that it actually has to do, and to deal with the recommendations which will no doubt reach us before very long now from the Royal Commission on Labour, the work is there and has to be done, and I doubt very much if there is any real economy in matters of that kind by reducing the staff and not getting the work done. Where the present depression of trade does affect the total volume of work in the Railway Board's office is rather on the Engineering side, because when we have a much smaller programme of construction and of open line works, it may be possible to carry on all that has to be done in the Railway Board's office with a smaller staff. But I should like to make it quite clear that I do not claim that the Railway Board's office is sacrosanct and that there can be no question of any reduction there. If there is unnecessary expenditure it ought to be cut down there just as much as anywhere else. I might refer to one other small suggestion made by him, namely, that we should issue instructions to Railways not to spend money just because there is provision in the Budget. The particular reason he gave for such instructions used to play a very large part in railway finance, but I am glad to say that since the separation it has largely disappeared, and it was one reason for desiring the separation, namely, that railway officers no longer feel that they must make a desperate attempt to spend the money before the end of March, because if they do not spend it, it will lapse and will not be available in the coming year. I think to a very large extent that most undesirable tendency has now been obviated, and in any case the instructions to the Agents which have already been issued are perfectly clear that all unnecessary expenditure is to be avoided. I do not think there is any danger of any Agent being under a misapprehension on that point.

I think, Sir, that very nearly covers all that I have to say except on one point, and that is what fell from my Honourable friend Mr. Shivdev Singh Uberoi on the subject of a Retrenchment Committee. I indicated in my speech in another place that such a Committee was a possibility if the measures that we have already taken and are trying to take do not prove to be sufficient. But I adhere to the opinion I then expressed that such a Committee should consist mainly, if not entirely, of experts; and in addition I should like to say this, that I consider it all important for the next few months that the Agents and their staff should get on with the economies they are already trying to undertake. If you appoint a Committee, one of the first things the Committee will do is to call for all sorts of reports and returns in order to get the necessary material to work on. I do not want for the next six months the Agents' offices to be busily occupied in preparing returns; I want them rather to be seeing what returns they can dispense with so as to diminish work and actually get economy.

Now, Mr. President, I think I have already trespassed sufficiently long upon the indulgence of the House. Before I sit down I should only like to thank Honourable Members for the valuable suggestions and criticisms which they have offered. Full weight will be given to all that has been said and I recognise frankly that in a number of speeches a point of view has been urged upon Government with which we must seriously reckon. On the other hand, I feel this, that perhaps we are apt to be a little unduly depressed by the gloomy

state of affairs which we see around us at the moment ; and at a time like this it is valuable and useful to hear, Sir, a veteran, whose experience goes back for 50 years at least, who has followed the course of railway development in India for many years—before I at least was born—to hear from him what his view of the situation is. He saw the bad times in which the Railways originated and also the periods of prosperity and his view is that there is no reason for undue pessimism and that in due time prosperity will again return to the Railways and they will again be able to contribute towards the prosperity of the country.

DATE FOR THE ELECTION OF A MEMBER TO THE GOVERNING BODY OF THE IMPERIAL COUNCIL OF AGRICULTURAL RESEARCH.

THE HONOURABLE THE PRESIDENT : In connection with the election to the Governing Body of the Imperial Council of Agricultural Research, four Honourable Members have been nominated, namely, the Honourable Sir C. P. Ramaswami Ayyar, the Honourable Khan Bahadur Chaudri Muhammad Din, the Honourable Rai Bahadur Lala Jagdish Prasad and the Honourable Mr. Mahmood Suhrawardy. Only one Member has to be elected. There will be an election therefore which will take place on the 24th February.

DATE FOR THE ELECTION TO THE STANDING COMMITTEE ON EMIGRATION.

THE HONOURABLE THE PRESIDENT : For the election to the Standing Committee on Emigration, the following nominations have been received :

- The Honourable Rai Bahadur Lala Ram Saran Das.
- The Honourable Nawab Sahibzada Sir Sayad Mohamad Mehr Shah.
- The Honourable Mr. A. Hamid.
- The Honourable Sardar Bahadur Shivdev Singh Uberoi.
- The Honourable Nawab Khawja Habibullah.
- The Honourable Mr. G. A. Natesan.
- The Honourable Mr. Mahmood Suhrawardy.
- The Honourable Mr. B. K. Basu.

The election in that case also will take place on the 24th of February.

STATEMENT OF BUSINESS.

THE HONOURABLE SIR BROJENDRA MITTER (Leader of the House) : Sir, the lists of business for Monday, the 23rd, and Tuesday, the 24th February, are already in the hands of Honourable Members. Wednesday, the 25th, will be devoted to non-official business balloted for that day. On Thursday, the 26th, motions will be made for the consideration and passing of the Cantonments (Amendment) Bill, the Indian Ports (Amendment) Bill, the Indian Naval Armament (Amendment) Bill and the Vizagapatam Port Bill, which

[Sir Brojendra Mitter.]

were laid on the table of this Chamber on the 10th February, 1931. A Resolution will then be moved in relation to the increased import duties on certain kinds of steel products. The Council will then proceed to elect, if necessary, Members to serve on the Standing Advisory Council for Railways. The Council will next meet on Saturday, the 28th February, at 5 P.M., when, as has already been announced, the General Budget will be presented. I hope to make a further statement on that day as to the probable course of business.

THE HONOURABLE THE PRESIDENT : I think it will probably be convenient to the Council if the Honourable the Leader of the House could make a statement as to the future course of business somewhat earlier than the 28th of February. That is, of course, if he is in a position to do so.

THE HONOURABLE SIR BROJENDRA MITTER : I will try, Sir.

The Council then adjourned till Eleven of the Clock on Monday, the 23rd February, 1931.

COUNCIL OF STATE.

Monday, 23rd February, 1931.

The Council met in the Council Chamber of the Council House at Eleven of the Clock, the Honourable the President in the Chair.

MEMBERS SWORN :

The Honourable Khan Bahadur Nawab Sir Muhammad Muzammil-ullah Khan, K.C.I.E., O.B.E. (United Provinces : Nominated Non-Official).

The Honourable Major-General John Wallace Dick Megaw, C.I.E., M.B. & K.H.P., I.M.S. (Director-General, Indian Medical Service).

QUESTION AND ANSWER.

TOTAL EXPENDITURE ON THE CONSTRUCTION OF NEW DELHI, ETC.

57. THE HONOURABLE MR. SATYENDRA CHANDRA GHOSE MOULIK : Will Government be pleased to state :

- (1) the total amount spent up to date in building and laying out the several public buildings and roads in New Delhi including the Viceroy's House, and its gardens ;
- (2) the total amount paid to Sir Edwin Lutyens, one of the consulting architects, in connexion with the above ;
- (3) the total amount paid to Sir Herbert Baker, the other consulting architect ;
- (4) the amount spent in building the War Memorial Arch ?

THE HONOURABLE SIR JOSEPH BHOORE : (1) The total amount spent up to the end of December, 1930 on the construction of New Delhi including buildings, roads and services is Rs. 14,50,00,000 (fourteen and a half crores of rupees).

(2) and (3). The total amount paid to the joint account of Sir Edwin Lutyens and Sir Herbert Baker up to December, 1930 is Rs. 39½ lakhs.

(4) Rupees six lakhs.

RESOLUTION *RE* SEQUESTRATION OF THE PROPERTIES OF PASSIVE RESISTERS.

THE HONOURABLE MR. K. V. RANGASWAMY AYYANGAR (Madras : Non-Muhammadian) : Sir, when I tabled this Resolution,* nobody ever thought that direct negotiations would be carried on between Mahatma

* " This Council recommends to the Governor General in Council to direct the paying up in full of damages in cases where the properties of passive resisters have been sequestered before the promulgation of Ordinance IX of 1930 empowering Government to occupy the premises of Congress offices and detain their properties."

[Mr. K. V. Rangaswamy Ayyangar.]

Gandhi and His Excellency Lord Irwin. Now, Sir, nobody wants the adventitious aid of our Council passing this Resolution. Now that there is direct talk on all subjects, my modest Resolution is below the mark. I therefore beg to withdraw this Resolution of mine.

RESOLUTION *RE* AMALGAMATION OF CERTAIN DISTRICTS OF THE UNITED PROVINCES AND BENGAL WITH THE PROVINCE OF BIHAR.

THE HONOURABLE MR. ABU ABDULLAH SAIYID HUSSAIN IMAM (Bihar and Orissa : Muhammadan) : Sir, I wish to move the following Resolution :

"That this Council recommends to the Governor General in Council to appoint a Boundaries Commission to consider the question of an amalgamation of the permanently settled districts of the United Provinces and the districts of Bengal on the border of Bihar with the province of Bihar."

In moving this Resolution I wish to quote an authority which is very much respected by the House as well as by the Government :

"The existing provincial boundaries in more than one case embrace areas and peoples of no natural affinity, and sometimes separate those who might under a different scheme be more naturally united. There is a considerable body of opinion in India which calls for some readjustment of boundaries and redistribution of areas, and we entirely share the views of those who think that the present arrangement is not altogether satisfactory."

That is the considered opinion of the Simon Commission, and as such I hope it will receive the due weight that it deserves. The question of Bihar is rather a peculiar one. Being actuated by the equity and justice of the demands of the Oriyas for a separation, they, like improvident people, did not think of their own position. We consented to the separation of Orissa without imposing any conditions preliminary to its separation. We were so backward and improvident that we did not make any representation before the Simon Commission or the Government of India that we should have some slice from the other fat provinces. The province of Bihar has got about 21 districts out of which six are to be taken away and we will have only 15 districts remaining. More than a fifth of our area and about the same fraction in population will go out of us. At the present moment Bihar has got the unique distinction of having the lowest income per person of any province in India. Our income is about Rs. 1-8-0 per head of the population. If you take a large slice out of Bihar, I do not think it will be possible to run the Government. There are certain expenses at the centre which cannot be reduced with the reduction in the size of the province. The expenses of the Governor, the expenses of the Council, the expenses of the Secretariat, of the High Court and of the University—all these are quite irrespective of the size of the province. They will have to go on in the same way as in former times. On our one side we have got the United Provinces with its 48 districts against our 15. The whole of the United Provinces is not permanently settled. Only three or four districts on the border of Bihar are permanently settled. It is to unify the conditions of those districts that I wish to draw the attention of the House and of the Government that these might be amalgamated with Bihar. I do not wish to bind Government to any definite line of action. My only point in bringing forward this Resolution is to draw the attention of the Government to the case of Bihar so that its case may not go by default. Well, in looking towards Bengal I am rather afraid, because it is the province of the Leader of the House and I am afraid some stringent tests will be applied against it.

But my poaching, as I may call it, is very slight. I wish to annex not even whole districts but only sub-divisions and thanas which are on the border of Bihar and which are coal-producing. About four-fifths of the coal is produced in the province of Bihar and one-fifth in the adjacent Bengal districts. The conditions in those tracts are exactly similar to those prevailing in the Bihar coalfields and it is those tracts which I wish to attach to our province. That is why I did not ask for an indefinite slice. I simply desire to leave it to the Boundaries Commission to inquire into the matter to find out if there are any Bengal districts having an affinity with Bihar, and if so to attach them to Bihar. My wish is to make the position of Bihar easier, for we were improvident enough not to demand an enormous amount in exchange for the dismemberment of one of our members. For that reason I wish to bring this matter to the notice of Government so that in whatever way they think proper they may adjust this glaring injustice.

With these words, Sir, I move the Resolution.

THE HONOURABLE SIR BROJENDRA MITTER (Law Member): Sir, I congratulate the Honourable Member on the temperate spirit in which he has moved his Resolution and which was not unaccompanied by a certain amount of modesty. Sir, one can appreciate the provincial patriotism which prompts a Member from one province to desire that a slice should be taken from this province and another slice from that province to be added on to his own province. One can appreciate that. But there are certain difficulties as there are certain definite principles on which we have to proceed. Without entering into the merits of the particular claim made by the Honourable Member, I shall take a few minutes of the time of the House in enunciating what those principles are which must guide our action. Sir, it is not denied that re-adjustment of boundaries is sometimes necessary, and indeed it was for meeting such a necessity that a section was incorporated in the Government of India Act. Under section 60 of the Government of India Act the Governor General in Council may alter the boundaries of provinces. Now Sir, what is the principle upon which the Government of India may take action? I shall refer Honourable Members to the Report of the Joint Select Committee of Parliament which considered the Government of India Bill. They reported as follows :

"They do not think that any change in the boundaries of a province should be made without due consideration of the views of the Legislative Council of the province."

The Government of India attach great importance to the conditions implied in this. They are, first, that there must be a genuine and forcible public opinion in favour of a particular change, and, secondly, that that expression of opinion in favour of a change must be in the local Legislative Council. Sir, in the present instance there are three Legislative Councils involved, the Legislative Council of Bihar, and the Legislative Councils of Bengal and of the United Provinces. Now, up to date we have no evidence whatsoever either that the Legislative Council of Bihar wants these slices from neighbouring provinces or that the Legislative Councils of Bengal and of the United Provinces are willing to surrender any portion of their respective provinces. Therefore, one of the conditions precedent to the Government taking action, namely, the expression of strong local opinion, is wanting in this case. That, Sir, is the first objection to my acceptance of the Resolution.

The second ground to which I draw the attention of the House is based upon the observations of the Statutory Commission on this subject. The Statutory Commission in dealing with provincial redistribution indicated

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the tests which should be applied. They discussed racial tests, linguistic tests, ethnological and various other tests, and they summed up in this way :

"Most important of all perhaps, for practical purposes, is the largest possible measure of general agreement on the changes proposed, both on the side of the area that is gaining and on the side of the area that is losing territory."

If we apply that test to the present case, there is a total absence of any agreement on the part of Bihar, Bengal and the United Provinces. So, judged by that test, the Resolution ought to fail. It is premature. I am not going into the merits, but in the absence of such an agreement this House ought not to accept the Resolution. That is my submission. Sir, there is yet a third point to which I wish to draw the attention of the House. The Government of India, when they sent their despatch on the constitutional reforms, considered the question of provincial boundaries very carefully, and the conclusion to which they came is to be found in the despatch of the Government of India at page 17. After discussing the matter the Government said :

"Other possible re-adjustments....."

They are excluding the cases of Sind and Orissa. They said :

"Other possible re-adjustments of provincial boundaries should in our view stand over until opinion has more clearly expressed itself. It would be for the new administrations themselves to take up such cases as they arise."

Sir, the important and insistent cases are those of Sind and Orissa, and everybody recognises that these two matters should be taken up immediately. As regards other re-adjustments they are not insistent, public opinion has not crystallised on such other re-adjustments and there is absence of agreement. Having regard to all these circumstances I submit that this Resolution is premature, although it may be justified by provincial patriotism. I hope after this explanation the Honourable Mover will not press his Resolution to a vote.

THE HONOURABLE MR. BIJOY KUMAR BASU (Bengal: Nominated Non-Official): Sir, I plead guilty to the charge laid by the Honourable the Law Member at the door of the Honourable Mover, that is provincial patriotism. I would never have thought of intervening in this debate unless I found that in the last sentence of the Resolution the Honourable Mover wanted some districts from Bengal on the border of Bihar to be amalgamated with the province of Bihar. Sir, as the Honourable the Law Member said, there are certain basic principles on which these re-adjustments are made. He mentioned linguistic and racial or ethnological bases which do not exist in this case. There could have been some justification for this Resolution moved by my Honourable friend even if there were some geographical bases to make this distribution. We have never heard yet of redistribution of provinces on the basis of land tenure. Supposing land tenure in Bengal corresponded with the land tenure of, say, Bombay or the Malabar Coast, would it be seriously suggested that portions of the Malabar Coast or Bombay should be tacked on to Bengal? There never had been, so far as I can see, any basis of land tenure taken to make any redistribution of the provinces. Then, Sir, there is another matter which my friend the Honourable Mover admitted, namely, that Bihar was a backward province, and that Bihar was an impoverished province. Is it likely that the inhabitants of more flourishing provinces like the United Provinces or Bengal would ever agree to go and attach themselves to an impoverished and backward province of their own accord? If, on the other hand, Sir, a plebiscite is taken, say, in the district of Bhagalpur, where there

are a large number of Bengalees, most of them domiciled Bengalees—if a plebiscite is taken I am almost sure that the cent. per cent. Bengalee opinion will be that they will prefer to come back to Bengal. They do not want to be there. Moreover, Sir, I say this without fear of contradiction that there is a growing anti-Bengalee feeling in the province of Bihar which certainly the Bengalees resent; and now to attempt to take away a further slice of Bengal and to attach it to Bihar is to say the least, Sir, an injustice which I do not think this House will allow to be perpetrated.

Talking about the poverty of Bihar, if I may point out, Sir, it is of their own seeking. Look at the mineral wealth that that province possesses. All the minerals and mineral industries are exploited, if I may say so, by outsiders. Why cannot the people of the province get together and work those mineral industries? Even if they cannot do so, Sir, they can certainly in the provincial Legislature get a Bill to tax these mineral industries, mining industries, against those people, those outsiders, who have no registered office in the province. Then again, Sir, it is a matter of common knowledge that Bihar possesses a large number of very wealthy zemindars. If they are patriotic enough, as my friend the Honourable Mover is, if they would submit their agricultural income to be taxed for the purposes of income-tax, I am almost sure that my Honourable friend would not have to look either to the United Provinces or to Bengal for financial assistance to his province. Then, there is another matter which my Honourable friend the Mover had mentioned, that is, about the coalfields. On his own admission, he says that his province has got four-fifths of the whole number of coalfields. We, poor fellows, have only one-fifth and he wants to deprive us of that. Next time most likely he will bring in another Resolution by which some portions of the jute-growing districts or perhaps the whole of the jute-growing districts might go on to Bihar; otherwise it will be an impoverished province again!! They want to be the most flourishing province of the whole of India. By all means let them be. If they have the right to do so and the energy to do so, I do not grudge it. Let them be the richest province in the land. Nobody will be more pleased than I shall be if Bihar becomes one of the richest provinces. But then, Sir, why punish the other provinces to make Bihar richer?

THE HONOURABLE NAWAB SIR MUHAMMAD MUZAMMIL-ULLAH KHAN (United Provinces: Nominated Non-Official): Sir, while humbly associating myself with the Honourable Member on my right, I will submit only a word here and say that we the people of the United Provinces consider our Bihari brethren as our friends and so I say, Sir, "Save us from our friends!"

THE HONOURABLE RAJA SIR RAMPAL SINGH (United Provinces Central: Non-Muhammadan): Sir, the question raised by my Honourable friend has been fully dealt with by the Honourable the Leader and the representative of the province of Bengal and it is not for me to go into details. But, Sir, I must oppose the Resolution on the ground that no such demand has been made from the districts mentioned in his Resolution. If those districts of the United Provinces are going to be amalgamated with the province of Bihar according to his reasons, it will be better for the Bihar province to come and join the United Provinces, instead of a portion of the United Provinces joining the Bihar province. We will be very glad to give that province some relief and thereby they may make their position better. I oppose the Resolution, Sir. Especially in these days of great economic depression, it is not proper that a province should remain only with 15 districts but it should be a bigger province, so that the expenses of the Government might be curtailed.

THE HONOURABLE MR. ABU ABDULLAH SAIYID HUSSAIN IMAM : Sir, in rising to reply to the debate, I must say that the Honourable the Law Member has dealt very lightly with it ; I was expecting more stringent criticisms, but that has been made up by the ex-Mayor of Calcutta. The difficulties of the Government, as pointed out by the Honourable the Leader of the House, are quite evident and those have to be overcome. Therefore, I am not going to press this Resolution, but I wish simply to say a few words in reply to the points that have been brought out in the debate. As regards the Government's points, I am not going to deal with them, because there are evidently insurmountable difficulties in the present circumstances and I think, if we can bring force behind our demand and have sanction, we will, as usual with the Government, carry more weight. There is an inscription on the Secretariat buildings—that liberty is not to be given : it is to be worked for. As regards my Honourable friend from Bengal, the nominated Member, I should like to say that he has suggested a very good way of making up our deficit, that we should tax our provincial produce. If we tax coal, I think we could make the whole of India stand still and all the industries of India would be at a stand-still. Because Bihar does not in any way wish to bring trouble to India, it is being sacrificed. It is not justice that has got any weight with the House or the Government ; it is always the sanction behind the demand that carries weight. As regards the coal trade, well, Bengal has got the monopoly of the jute trade not only in India but practically in the world. With the exception of Dundee and other places in Scotland where there are jute factories, you control the jute production of the whole world. And still you are not content—you want a slice of coal as well. The Honourable Member referred to the question of Bengalees who are still living in Bihar, and said that they would like to be tacked on to Bengal. I may say for the information of the ex-Mayor of Calcutta that in the city of Calcutta itself there are more people from my district of Gaya living than people of any other district. Within a few days you will find in the report of the Census that the language spoken in the parts that I was referring to is not Bengalee but Biharee, Hindi or Urdu ; Biharee is the language that is spoken in the coalfields. There are many arguments that could be urged in favour of my Resolution, but I did not want to bring them all because I knew that there would be difficulties in the way of the Government. I therefore confined myself to the question of size in justification of my claims. I find, Sir, that justice cannot be done to my province merely on account of the fact that there are legal difficulties in the way.

With these words, I wish to withdraw the Resolution.

The Resolution was, by leave of the Council, withdrawn.

STATEMENT OF BUSINESS.

THE HONOURABLE SIR BROJENDRA MITTER (Leader of the House) : Sir, in addition to the Government business already announced by me for Thursday, the 26th February, I have to announce that motions will be made on that date for the consideration and passing of the Bill to provide for the fostering and development of the gold thread industry in British India and the Bill to provide for the modification of certain import duties relating to the fostering and development of the steel industry in India. These Bills were laid on the table of the Council on Saturday last.

The Council then adjourned till Eleven of the Clock on Tuesday, the 24th February, 1931.

COUNCIL OF STATE.

Tuesday, 24th February, 1931.

The Council met in the Council Chamber of the Council House at Eleven of the Clock, the Honourable the President in the Chair.

QUESTION AND ANSWER.

INDIANIZATION OF THE OFFICERS' CADRE OF THE INDIAN ARMY.

58. THE HONOURABLE MR. ABU ABDULLAH SAIYID HUSSAIN IMAM : Will Government be pleased to state :

- (a) When the first King's Commission was given to an Indian in the regular Indian Army ?
- (b) The number of Indian and European officers appointed annually to the Indian Army ?
- (c) The proportion of Indian officers to European officers in each year from 1925 to 1930, inclusive ?
- (d) Whether, at the present rate of Indianization of the officers' cadre, that cadre will ever become totally Indianised ?
- (e) If the answer be in the negative, whether any other scheme for Indianization of the officers' rank is under consideration ?
- (f) When do Government propose to publish the scheme ?

HIS EXCELLENCY THE COMMANDER-IN-CHIEF : (a) In August, 1917, the first Indian commissioned through Sandhurst, was commissioned in July, 1920.

(b) and (c). The figures for actual appointments vary from year to year, and are not readily available : but it will perhaps meet the object of the Honourable Member's inquiry if I give the figures for vacancies. At the present time a maximum of 82 vacancies a year is offered to Europeans. Of these, 70 are obtainable through Sandhurst, and 12 through universities. The maximum offered to Indians was 10 a year, until 1928, when the number was increased to 25, of which 20 are by direct entry into Sandhurst, and 5 by nomination of Viceroy's Commissioned officers, who proceed to Sandhurst after being nominated.

There has been no year in which all the vacancies, European and Indian, were filled. The deficit has been partially met by transfers from the British Service. The approximate total numbers of Indian and European officers admitted to the Indian Army during the years 1925 to 1930 were—

Indians—57,

Europeans— 491,

which gives a proportion of a little more than 1 Indian to 9 Europeans.

The foregoing figures are exclusive of the vacancies recently opened to Indians at Woolwich and Cranwell. Four Indians have passed into Woolwich and six are now under training at Cranwell.

(d) No, Sir, as I have explained, the present maximum rates of entry are 82 Europeans and 25 Indians, annually.

(e) It has always been the intention of Government to increase the number of vacancies open to Indians, within the limits required by efficiency, as soon as a sufficient flow of candidates of the right stamp was forthcoming. As I have shown, the number of Indian vacancies at Sandhurst was more than doubled in 1928. Proposals for a further increase have been under consideration for some time.

(f) As the Honourable Member will have seen from the published proceedings of the Indian Round Table Conference, a committee is about to be appointed to make recommendations for an Indian military college. This question is very closely related to that of Indianization, and Government propose to consider the two subjects together.

THE HONOURABLE MR. ABU ABDULLAH SAIYID HUSSAIN IMAM : Will His Excellency the Commander-in-Chief please say if there was any scheme prepared by his predecessor about Indianization ?

HIS EXCELLENCY THE COMMANDER-IN-CHIEF : No, Sir.

MOTION FOR THE ELECTION OF SIX NON-OFFICIAL MEMBERS TO THE CENTRAL ADVISORY COUNCIL FOR RAILWAYS.

THE HONOURABLE MR. J. A. WOODHEAD (Commerce Secretary) : Sir, I beg to move :

"That this Council do proceed to elect, in such manner as may be approved by the Honourable the President, six non-official Members from the Council who shall be required to serve on the Central Advisory Council for Railways."

According to Article 6 of the Convention for the separation of railway finance, the Central Advisory Council for Railways should be elected by the Legislature on the panel system. On several occasions, however, especially during the last two years, non-official Members of the Legislature have expressed the view that it would be better if the election was conducted direct, instead of on a panel system. This generally expressed desire, Sir, is the justification for the small change, or rather the small departure, which this motion involves from Article 6 of the Convention for the separation of railway finance. I trust, Sir, that this small change will be acceptable to the House.

Sir, I move.

The motion was adopted.

THE HONOURABLE THE PRESIDENT : I direct that in connection with that election nominations may be put in up till 11 o'clock to-morrow morning, the 25th February, and if an election is necessary, it will take place on the following day, the 26th February.

INDIAN INCOME-TAX (AMENDMENT) BILL.

THE HONOURABLE SIR ARTHUR McWATTERS (Finance Secretary) : Sir, I beg to move that the Bill further to amend the Indian Income-tax Act, 1922, for a certain purpose, as passed by the Legislative Assembly, be taken into consideration.

Sir, this small Bill was introduced in response to a request by the Associated Chambers of Commerce made at their meeting of last December. The position is that under the Indian Income-tax Act, section 58C, sub-section (1) (e), one of the conditions under which provident funds are entitled to recognition under that Act is that the fund shall be vested in two or more trustees. It was pointed out by the Associated Chambers of Commerce that on certain occasions this provision causes inconvenience, because one of the trustees might be going on leave out of India or might be going away on business and it involved on certain occasions charges in the trustees. The Associated Chambers desired that as a matter of convenience it should be made possible to appoint the Official Trustee. The difficulty which creates the need for legislation is that the Official Trustee, under the Official Trustees Act, can only act alone, and it is in order to enable the Official Trustee to be appointed as an alternative, if desired, that we have brought forward this small piece of legislation.

Sir, I move.

The motion was adopted.

Clause 2 was added to the Bill.

Clause 1 was added to the Bill.

The Title and Preamble were added to the Bill.

THE HONOURABLE SIR ARTHUR McWATTERS : Sir, I move that the Bill, as passed by the Legislative Assembly, be passed.

The motion was adopted.

INDIAN RESERVE FORCES (AMENDMENT) BILL.

HIS EXCELLENCY THE COMMANDER-IN-CHIEF : Sir, I move that the Bill to amend the Indian Reserve Forces Act, 1888, for certain purposes, be taken into consideration.

As Honourable Members will have seen from the Statement of Objects and Reasons, this small Bill contains really only one item of substance. Section 6 of the Indian Reserve Forces Act prescribes certain penalties for failure on the part of reservists to comply with the order calling them up, or for fraudulently obtaining pay which is not due to them. These penalties may be inflicted on conviction either by court-martial or by a magistrate of the first class. It appears that the statutory term "magistrate of the first class" does not include Presidency Magistrates. As a result, if any of these offences are committed in a Presidency town there is no option but to try them by court-martial, which Honourable Members will agree is very undesirable if it can be prevented. The Government of Madras pointed out this small difficulty in the law which the present Bill seeks to remove. The rest of the Bill is purely formal. It is designed to bring the phraseology of the Act up to date. Certain obsolete terms, such as, "Active Reserve", "Garrison

[H. E. the Cth mander-in-Chief.]

Reserve" and "Indian Articles of War" are replaced by their modern equivalents, while section 7, which exempts persons transferred to the Reserve before the Act was passed in 1888, is repealed as there are now no such persons in the Reserve.

Sir, I move.

The motion was adopted.

Clauses 2, 3, 4, 5 and 6 were added to the Bill.

Clause 1 was added to the Bill.

The Title and Preamble were added to the Bill.

HIS EXCELLENCY THE COMMANDER-IN-CHIEF: Sir, I move that the Bill be passed.

The motion was adopted.

INDIAN TERRITORIAL FORCE (AMENDMENT) BILL.

HIS EXCELLENCY THE COMMANDER-IN-CHIEF: Sir, I move that the Bill further to amend the Indian Territorial Force Act, 1920, for a certain purpose, as passed by the Legislative Assembly, be taken into consideration.

This Bill, Sir, is framed to rectify a very small omission in the Indian Territorial Force Act. Besides the compulsory training which all members of the Territorial Force have to undergo and which is limited by rule to certain fixed periods, some of the personnel are allowed to do extra voluntary training which very naturally we encourage as much as possible. The Act as it stands does not allow for this extra training, with the result that members of the Indian Territorial Force while engaged in it are not really strictly subject to military discipline and there is some doubt whether they are even entitled to pay. In order to put matters right and regularise this extra training a small amendment of the Act is necessary and that is the amendment proposed in the Bill.

Sir, I move.

The motion was adopted.

Clause 2 was added to the Bill.

Clause 1 was added to the Bill. •

The Title and Preamble were added to the Bill.

HIS EXCELLENCY THE COMMANDER-IN-CHIEF: Sir, I move that the Bill, as passed by the Legislative Assembly, be passed.

The motion was adopted.

AUXILIARY FORCE (AMENDMENT) BILL.

HIS EXCELLENCY THE COMMANDER-IN-CHIEF: Sir, I move that the Bill further to amend the Auxiliary Force Act, 1920, for a certain purpose, as passed by the Legislative Assembly, be taken into consideration.

A very few words will suffice to explain this Bill, Sir. Members of the Auxiliary Force who are over the age of 18 years are liable to military service when called out. Persons can however be enrolled in the Auxiliary Force as cadets when they are 16, and while they are between the ages of 16 and 18 they are liable to training only and not to military service, so that cadets when they go to camp are not legally entitled to draw allowances. This is an unintentional error in the Act which the present Bill will rectify.

Sir, I move.

The motion was adopted.

Clause 2 was added to the Bill.

Clause 1 was added to the Bill.

The Title and Preamble were added to the Bill.

HIS EXCELLENCY THE COMMANDER-IN-CHIEF: Sir, I move that the Bill, as passed by the Legislative Assembly, be passed.

The motion was adopted.

ELECTION OF A MEMBER TO THE GOVERNING BODY OF THE IMPERIAL COUNCIL OF AGRICULTURAL RESEARCH.

THE HONOURABLE THE PRESIDENT: The Council will now proceed to elect one Member to sit on the Governing Body of the Imperial Council of Agricultural Research. When I last mentioned this election there were four candidates. Since then the Honourable Rai Bahadur Lala Jagdish Prasad has withdrawn his nomination. That leaves the Honourable Sir C. P. Ramaswami Ayyar, the Honourable Khan Bahadur Chaudri Muhammad Din and the Honourable Mr. Mahmood Suhrawardy as candidates for election. Ballot papers will now be handed round to Honourable Members and they will vote for the Member whom they desire to be elected by placing a cross opposite his name. They will not sign the ballot papers. As the result of the first ballot should the Honourable Member at the top of the poll not have secured an absolute majority of the votes cast, I propose to eliminate the Honourable Member at the bottom of the poll and to have a further election until one Member is elected with a majority of votes.

(The ballot was then taken.)

THE HONOURABLE THE PRESIDENT: 47 Honourable Members voted. Three voting papers were spoiled. Of the remaining 44, 25 votes have been cast for the Honourable Sir C. P. Ramaswami Ayyar and 19 votes for the Honourable Khan Bahadur Chaudri Muhammad Din and no votes for the Honourable Mr. Mahmood Suhrawardy. I declare the Honourable Sir C. P. Ramaswami Ayyar duly elected.

ELECTION OF FOUR MEMBERS TO THE STANDING COMMITTEE ON EMIGRATION.

THE HONOURABLE THE PRESIDENT: The Council will now proceed to elect four Members to sit on the Standing Committee on Emigration. There

[The President.]

were originally eight nominations, but the number of candidates has now come down to five by reason of withdrawals. I take this opportunity of mentioning to the Council that it would be convenient certainly, I think, to Members of this House, and most certainly to the office of the Council, if those Honourable Members who propose to withdraw from an election would not reserve their withdrawal till the eleventh hour. There were seven candidates this morning when I reached my office and now there are only five. It puts me in an embarrassing position too sometimes, for I have to make up my mind at least the day before what form the election shall take. In case there is to be a ballot, ballot papers have to be printed. As Honourable Members will see, ballot papers have been printed for this election which might not have been necessary had Honourable Members made up their minds to withdraw somewhat earlier. The standing candidates are, the Honourable Rai Bahadur Lala Ram Saran Das, the Honourable Mr. A. Hamid, the Honourable Sardar Bahadur Shivdev Singh Uberoi, the Honourable Mr. G. A. Natesan and the Honourable Mr. B. K. Basu. In view of the large number of vacancies, that is to say four vacancies to be filled by five candidates, I think the only satisfactory form of election is that according to the principle of proportionate representation by means of the single transferable vote. Most Honourable Members have taken part in an election in that form before, but if, when they receive their ballot papers, they will read the instructions at the bottom I think they will find no difficulty in complying with them.

(The ballot was then taken)

THE HONOURABLE THE PRESIDENT: May I take it that all Honourable Members have now deposited their voting papers? The working out of the results of the election in this form is a matter of some intricacy, and I do not propose to keep the Council waiting. I hope to be in a position to announce the result at to-morrow's meeting.

The Council then adjourned till Eleven of the Clock on Wednesday, the 25th February, 1931.

COUNCIL OF STATE.

Wednesday, 25th February, 1931.

The Council met in the Council Chamber of the Council House at Eleven of the Clock, the Honourable the President in the Chair.

ELECTION OF FOUR MEMBERS TO THE STANDING COMMITTEE ON EMIGRATION.

THE HONOURABLE THE PRESIDENT : The result of the election held yesterday for the Standing Committee on Emigration is as follows :—

The Honourable Mr. A. Hamid.

The Honourable Mr. G. A. Natesan.

The Honourable Rai Bahadur Lala Ram Saran Das.

The Honourable Mr. Bijoy Kumar Basu.

RESOLUTION *RE* INDIANISATION OF THE INDIAN ARMY.

THE HONOURABLE MR. ABU ABDULLAH SAIYID HUSSAIN IMAM (Bihar and Orissa : Muhammadan) : Sir, I rise to move the Resolution which stands in my name, namely :

“That this Council recommends the Governor General in Council to form a committee of experts and members of the Central Legislature to frame a scheme for the Indianisation of the Indian Army.”

Before saying anything on the merits of my Resolution, Sir, I wish to state that by his reply to my question of yesterday His Excellency the Commander-in-Chief has completely disarmed me. I have lost most of the points that I was going to urge in favour of my Resolution. Like a seasoned soldier he has defeated me simply by his frankness. But there are still some things, which make it expedient that I should press this Resolution, and in doing that, I wish to bring to the notice of the Government as well as of His Excellency the Commander-in-Chief certain facts which have not been considered in their true perspective. Firstly, we have been hearing for a long time of there being rival schemes in existence. The one has been suppressed, and the Skeen Committee has been in the public eye for the last four years and still Government have not found time to pass any considered resolution on its recommendations. As His Excellency's predecessor pointed out in the other place last year in the Budget discussions, some of the recommendations of this Committee were accepted in deed, not in words only ; but others were neither taken into consideration, nor has any opinion of the Government been given on those points. They were not unimportant points. They did concern certain aspects of the question which were very important in themselves, and were deserving of consideration. Sir, as His Excellency in reply to parts

[Mr. Abu Abdullah Spiyid Hussain Imam:]

(b) and (c) of my question of yesterday said, there has been no year in which all the vacancies, European and Indian, were filled. As regards the Europeans, we know that you have got a reserve in the English Army to draw upon. But as far as the Indian officers' ranks are concerned, there is no reserve to draw upon, and those places which are not filled in go by default. The result is that the pace of Indianisation of the officers' rank of the Army, although Government have decided to accelerate it, is retarded. Through whose fault? That is the question. His Excellency says that there are not a sufficient number of candidates available. The Skeen Committee in their report set out fully the drawbacks in the present system of recruitment. There are four efficiency bars to be passed before a man can go up to the examination. First of all he must go to the Deputy Commissioner or the District Magistrate of his district, who has got the discretion to reject him. Then the Commissioner and then the Local Government does it, and last of all the application comes to His Excellency the Viceroy. Those persons only who have been successful in all these tests are allowed to sit for the examination. As was ably pointed out in another place in the same report, there is no tradition amongst us as there is in England—family traditions—which will permit of a good supply. There is no doubt there is family tradition among the martial classes. But they have always been serving in the ranks. The result is that they have not a sufficient amount of capital at their disposal to send their boys to the officer's examination and course. There is an expense of Rs. 14,000 to be met by the parent for the education of the boy for military training. If he fails, the result is that he is good for nothing, the money is absolutely wasted; there is no opening for him. If he passes, well and good. If he fails, there is absolutely no other line open to him, whereas in England this is not the case. India being poor, the parents cannot afford to spend such an enormous amount. That is why it has always been said that an Indian Sandhurst should be established. This was the recommendation of the Committee as well. But Government have taken refuge in the fact that the Committee recommended its establishment in 1933. Quite correct. The Committee did not contemplate the formation of the military college before that time. But then you cannot by merely wishing to have a military college create it out of nothing. You have got to have a scheme ready. The Public Works Department must have their specifications. They must build the houses, build the hostels, and everything necessary. These things cannot be had in a day. If you think of it now, it cannot come out the next day. Some preliminary steps are necessary, and these have not been taken. In the Round Table Conference too, while this matter was being discussed, the promise was not only given but it was repeated that it will be done, and that it will not go into the limbo of the waste-paper basket. Even in the Round Table Conference there was a difference of opinion as to its desirability and as to whether Indianisation should be rapid or slow. Mr. Jinnah was the advocate of setting a pace that will be fast enough, while the others were cautious. Well, as regards that, when you are going to give India what has been called the substance, and not the shadow, of Dominion Status, then it is right and proper that the Indianisation of the officers' ranks should be accelerated. In the Montford Report there are also a few words about this. That report stated that with the change of the times an increasing number of commissions should be granted to Indians. That was in 1919. Well, the number was 10 formerly. Now His Excellency has very kindly increased it to 25. But still he complains that there are not applicants enough for those places. Now, Sir, what was thought to be good enough in the matter of

Constitutional advance generally in 1927-28 is not thought to be sufficient by Nationalist India to-day. As will be evident to the House and to the Government Benches, whatever was the demand of Indian Nationalists before the preparation of the Nehru Report, even that does not satisfy them now. They want more. Therefore it is necessary that the pace of Indianisation and the manner and the way of it should be changed. Therefore, Sir, it is necessary that something should be done. As regards the formation of the committee, at the Round Table Conference a promise was made that a committee would be appointed to consider the question of establishing an Indian Sandhurst and that was referred to by His Excellency in replying to my question. I have brought forward this Resolution so that in addition to the question of the formation of the college the other cognate and concurrent matters may also be considered by the committee, such, for instance, as the supply of recruits and the ways in which military service can be popularised and the people induced to go in for a military career. There is no difference of opinion between the Government and Nationalist India as to the necessity for Indianisation. There is no difference of opinion also in regard to the establishment of an Indian Sandhurst. The only difference arises in regard to the method. I would appeal to His Excellency the Commander-in-Chief to consider the question in its broadest aspects and to accept my Resolution.

With these words, Sir, I move the Resolution.

THE HONOURABLE MAJOR NAWAB SIR MAHOMED AKBAR KHAN (North-West Frontier Province : Nominated Non-Official) : Sir, in the first place I would beg my Honourable friend to withdraw his Resolution, as it is rather early to frame a scheme for the Indianisation of the Army because the Round Table Conference is not finished and the recommendations of the Defence Sub-Committee have not been brought into practice. I do not know what form the recommendations may take and, as negotiations are being carried on at present, it would be better for my friend to bring in his Resolution when he is on more sure ground as to the facts of the case and the final decision of Parliament. But, Sir, as a soldier I would like to give him some advice. The Indianisation of the Army is a long cherished, earnestly desired and eagerly sought-for wish of us Indians, civilians as well as military people. The year 1917 saw the inception of the idea of King's Commissions for Indians. The Skeen Committee encouraged it and I now believe the Defence Sub-Committee of the Round Table Conference has given it a definite shape and life. The Simon Commission, Sir, I am afraid treated the matter cavalierly and anything but encouraged it. The suggestion of the Skeen Committee for an Indian Sandhurst in 1933 was turned down by the Government and the Simon Commission in its settlement of the question evaded the point. The phrase of the Skeen Committee's report, "subject to the requirements of military efficiency", oft repeated by the Simon Report, was considered an obstacle to the rapid Indianisation of the Army. But Sir, the fact is that as more opportunities, better encouragement and more facilities are provided and the idea that the Army is something belonging wholly to India grows, efficiency is bound to increase. The findings of the Simon Commission that the Indian Army is primarily to defend the frontier of India, which is more or less an Imperial concern, and consequently should be under Imperial control until such time as there is no British element left in it and until the Indian Army is considered efficient enough to defend her frontier, are considerably modified by the Defence Sub-Committee of the Round Table Conference. The Simon Report found it impossible to lessen the British element at present, whereas the Sub-Committee referred to say that the British element should

[Sir Mahomed Akbar Khan.]

be reduced to the lowest figure. That, Sir, gives in brief the advance that the idea has made in the short interval between the Simon Report and the Round Table Conference. Of course, Sir, what the Indian Delegates said at the Round Table Conference about the defence of India and the Indianisation of the Army is not due to sudden impulse. It is the result of long and deliberate study of the problem. Complete Indianisation of the Army is not the work of a day or a year or even of a decade. But if urgent attention is given to the Resolution of the Defence Sub-Committee the great desire of Indians may find a way to realisation. As for the establishment of an Indian Sandhurst, Sir, I can see absolutely no difficulties. We had a similar institution in 1902-03 in the form of the Imperial Cadet Corps. There were two British officers, a Major and a Captain, a British Sergeant-Major and an Indian Adjutant to train cadets, and the cadets were quite efficiently trained by that staff at Dehra Dun till 1909. About promotion and other kindred matters, I would say that as the rules stand it takes a life-time to rise to a Lieutenant Coloneley. I do not suggest that the years of training should be curtailed, but commensurate with the standard of efficiency more opportunities should be provided for rising to the higher ranks. As for recruitment, Sir, I think in the first place that there should be a sufficient number of Indians on the Selection Committee, because they would know the people better and their advice would be more useful. Secondly, Sir, I think that whatever percentage of King's Commissions is given to Indians, it should be divided into two categories, (a) one-half of the posts should be reserved for candidates of the martial races and the children of officers of the Indian Army, and (b) the remaining vacancies should be filled up by other suitable candidates. Of course both categories will be subject to strict military examination.

Lastly, Sir, I would like to say something about the British element in the Army. The matter is of great importance. Sir, I think the presence of this element is most essential. The presence of the British element, apart from necessity or policy or other motives must necessarily impart the ideas of discipline, impartiality and efficiency. I do not know, Sir, what is going to be the percentage of British officers in a regiment in future, but an immoderate reduction is bound to impair the efficiency of the regiment. Moreover, in case of an Imperial need, when Indian troops are ordered abroad to work under the War Office, the presence of British officers in the Army would facilitate movement and co-operation; as in the Great War the Colonial troops had to borrow a good number of regular officers in order to bring them to a high pitch of efficiency before putting them into action. As regards the second line of troops, the Territorial, the Auxiliary and the Indian Army Reserve, if they are wanted on active service abroad, they too will require a fairly large number of British instructors to bring them into the proper form with a view to make them co-operate with the regulars in action.

As regards the point raised by my Honourable friend that there are no signs of the Indian Sandhurst, I can refer him to the fact that there are several military schools and colleges in the Punjab. Particularly I would mention one for his consideration. There is the Prince of Wales College in Dehra Dun. It has got all the facilities. Whenever the Government intend to start an Indian Sandhurst, that building could be utilised. There are other buildings. I do not think that you will find that the scheme has to wait for any period of time on account of the building. I think that before this Committee is appointed the whole thing will be thrashed out. Buildings will not be of much consequence. The institution could be started when something definite is settled.

THE HONOURABLE SARDAR BAHADUR SHIVDEV SINGH UBEROI (Punjab : Sikh) : Sir, I readily and most heartily lend my support to the spirit of the Resolution just moved by my Honourable friend on my left. It has given us the chance of discussing this very very important point. It is to the good luck of India that many of the clouds which were hanging very long over the scheme of Indianisation of the Indian Army—that is all urging this plea that India cannot attain a representative sort of Government or Dominion Government as long as she is not able to defend herself—are removed by the proceedings which recently took place at the Round Table Conference by a Sub-Committee in London. Some time ago it was said that Indians possessed the martial qualities of a soldier in great abundance and it was said also by a responsible officer of the Crown that an Indian cannot become an efficient arm of a military unit unless he is educated but the difficulty was advanced that an educated Indian becomes effeminate. It is good luck that all these clouds have been removed.

Let me, Sir, read to Honourable Members of the House the proceedings of the Sub-Committee No. 7 which was appointed at the Round Table Conference in London. This was the most influential and highly representative Sub-Committee. There were eight Princes on this Sub-Committee, Sir—six Princes and two representatives of the Princes ; there were 17 Indians of very high abilities and holding a very high position in India ; and there were five Europeans. This Committee was presided over by Mr. J. H. Thomas. After discussions and deliberations this Committee arrived at the following conclusions :

“Subject to the above the Sub-Committee arrived at the following definite resolutions :—

- (1) The Sub-Committee consider that with the development of the new political structure in India, the Defence of India must to an increasing extent be the concern of the Indian people, and not of the British Government alone.
- (2) In order to give practical effect to this principle, they recommend—
 - (a) That immediate steps be taken to increase substantially the rate of Indianisation in the Indian Army to make it commensurate with the main object in view, having regard to all relevant considerations, such as the maintenance of the requisite standard of efficiency. (Mr. Jinnah dissented and desired a clear indication of the pace of Indianisation.)
 - (b) That in order to give effect to (a) a training college in India be established at the earliest possible moment, in order to train candidates for commissions in all arms of the Indian defence services. This college would also train prospective officers of the Indian State Forces. Indian cadets should, however, continue to be eligible for admission as at present to Sandhurst, Woolwich and Cranwell.
 - (c) That in order to avoid delay the Government of India be instructed to set up a Committee of Experts, both British and Indian (including representatives of Indian States) to work out the details of the establishment of such a college.”

These are, Sir, the conclusions of the Sub-Committee which was appointed at the Round Table Conference for considering the question of defence. Three points are quite clear from the conclusions this Sub-Committee arrived at ; one, that the defence of India is more the concern of Indian people and not of the British Government alone. It means that the responsibility of defending India should be thrown more on the shoulders of Indians than on the shoulders of the British people ; in other words, it means that the Indianisation of the Indian Army should be accelerated. The other recommendation, Sir, is this, that steps should be taken to start a college for training cadets in the military line on the lines of Sandhurst in India ; and the third recommendation is that

[Sardar Bahadur Shiv Dev Singh Uberoi.]

the speed of Indianisation should be accelerated. As regards the establishment of a college, I was very glad to hear from His Excellency the Commander-in-Chief yesterday that he was thinking seriously over this point and possibly a committee of experts should be constituted in the near future, having the members of the States also on that, in order that the recommendation of the Sub-Committee might materialise. We wish early steps to be taken and I submit to His Excellency's consideration at this place that early steps should be taken to form such a Committee. At this stage I certainly recommend that that committee of experts should contain some representatives of the Central Legislature also besides the representatives of the Indian States, because the people of British India should have the chance also of giving the benefit of their experience to this committee.

As regards the other point, Sir, namely, that steps should be taken to increase substantially the rate of Indianisation of the Indian Army, I beg to submit for the consideration of His Excellency the Commander-in-Chief that the number of Indian candidates should be doubled in the next examination which is taking place some time in June next. At present, as His Excellency explained yesterday in reply to a question, 20 candidates are taken annually by open examination which is held twice a year, i.e., 10 candidates are taken every six months and 5 nominations are made by His Excellency the Viceroy from the ranks of those officers who hold the Viceroy's Commission at present in the Army. What I beg to suggest at this moment for His Excellency's favourable consideration is to give effect to the conclusion of the Sub-Committee formed at the Round Table Conference that the number of Indian candidates to be taken by competition should be doubled. No time should be lost in considering much over this point and the number of candidates to be taken at the next examination should be 20 instead of 10 by open examination.

As regards the appointment of a committee as suggested by my Honourable friend, I do not feel that I am on very sure ground in supporting him in that respect, because he himself explained that there was the Skeen Committee, the report of which was published in 1926; he also explained to the House that the Government has passed no Resolution as regards the recommendations embodied in that report. I very well remember that the illustrious predecessor of His Excellency the Commander-in-Chief explained on the floor of this House that many of the recommendations of the Skeen Committee are given effect to. One of the recommendations of the Committee is for the establishment of a Sandhurst College here in 1933. It is only 1931 now and there is not a long range of years between 1931 and 1933. So I do not think there is any great utility in having another committee to go into the matter of Indianisation, but I would certainly urge very strongly on the Government of India and His Excellency the Commander-in-Chief to accelerate the speed of Indianisation, or at least to accede to my humble suggestion of doubling the number of Indian candidates.

I would like to urge one more point because that is a long vexed question, and that is about the 8-unit scheme. According to this scheme the Indian cadets who are given His Majesty's Commission are allowed only to enlist themselves in these 8 units, of which six are infantry, if I am not wrong, and two are cavalry. In any case I am sure that there are more infantry than cavalry regiments. One of the recommendations of the Skeen Committee which had its unanimous verdict is that that scheme should be entirely abandoned. They have given very cogent reasons which I need not repeat here

because I am sure Honourable Members would have studied that report. One of the common sense reasons which I venture to advance in regard to this matter is that while an Indian cadet who gets the King's Commission should be bound down to enlist in one of those 8 units and may not be given the chance of enlisting in any of the other units, it is quite possible that the father or the grand-father or the great grand-father of that Indian cadet might have been associated with a certain regiment which does not fall within the category of those 8 units. One of the reasons which was given at the time when the 8-unit scheme was constituted and was fixed up was to try the efficiency of Indian officers in those units. I do not think that a trial is necessary in this respect. Indians have proved their fitness in every theatre of war and recently in the theatre of the last Great War. I do not wish to attack very much the reasons for starting the scheme, but if this was the reason I do not think it holds good to-day, because it has been amply proved that Indians are fit to hold their own in the military line even in the officers' cadre. How the test could come off I am not sure unless another war breaks out which we do not wish. No country is prepared to go to war. I beg to refer to the present decision of the Sub-Committee that it is no longer necessary to test the efficiency of an Indian in the position of an officer in the military. That reason which His Excellency Lord Rawlinson advanced in his speech for making that 8-unit scheme does not hold good now and does not exist now. I beg His Excellency the Commander-in-Chief to give his sympathetic consideration to this very important recommendation of the Skeen Committee.

Yesterday His Excellency said, as my friend has already remarked, that there has been no year in which all the vacancies were filled. This, in other words, as I understand, Sir, means that in some years the vacancies were not filled; that is to say, Indian candidates did not pass in such numbers as were required. With regard to that point my friend referred to the question of efficiency bars. I do not think that that term is appropriate. He spoke of submitting the application to the Deputy Commissioner, then to the Commissioner and then to the Local Government. I think these are bars which have been kept for some political reasons and show that a candidate, even otherwise very fit, can be stabbed in the dark by a confidential report from any of these officers of Government. I know of one particular case which I should like to mention for the information of His Excellency the Commander-in-Chief. It is that of a son of a Risaldar-Major of an Indian cavalry regiment belonging to the Sialkot district; he was a young man of good education—I think he passed first in Arts. His grand-father was also Risaldar-Major in the Army. Field-Marshal General Birdwood was very familiar with that family. I happened to recommend that boy to be taken for the examination in Sandhurst, but for political reasons his name was not sent up. In these times, Sir, such considerations and such bars should be entirely removed. If a man is found physically fit by the medical authorities there should not be any bar to his being permitted to appear for the examination.

There is one other point which I want to urge on His Excellency the Commander-in-Chief with all respect.....

THE HONOURABLE THE PRESIDENT: The Honourable Member has, as usual, reached his time limit.

THE HONOURABLE SARDAR BAHADUR SHIVDEV SINGH UBEROI: I hope you will permit me to continue for a minute more, Sir. The Board for interviewing the candidates.....

THE HONOURABLE THE PRESIDENT : I can only allow the Honourable Member to go on if he speaks on the Resolution. The Resolution recommends the constitution of a committee. So far, in 15 minutes, the Honourable Member has not referred to a committee.

THE HONOURABLE SARDAR BAHADUR SHIVDEV SINGH UBEROI : Then I have nothing more to say, as I have spoken about the committee.

THE HONOURABLE MR. G. A. NATESAN (Madras : Nominated Non-Official) : Sir, the Resolution of my Honourable friend, Saiyid Hussain Imam, wants the Governor General in Council to form a committee of experts and members of the Central Legislature to frame a scheme for the Indianisation of the Indian Army. In so far as he has focussed discussion upon this important question of the demand of the Indian people for the rapid Indianisation of the Army, my Honourable friend deserves thanks. But, Sir, I am somewhat surprised that in the debate that has ensued, considerable stress should have been laid on the recommendations of the Skeen Committee when it is publicly known that during the time of Lord Reading's Viceroyalty an expert committee was appointed and a report was made that it was quite possible to have complete Indianisation of the Indian Army within a period of 28 years. For reasons best known to the authorities that report—the Shea Report—was kept as a secret document and until reference to it was made during the proceedings of the Defence Committee in London in connection with the Round Table Conference nobody knew anything of it. When that fact was cabled to India very naturally there was a great deal of surprise that a scheme for the Indianisation of the Army—complete Indianisation which could, if I may say so, without loss of efficiency and to the best interests of India and England be completed within 28 years—was shelved and kept as a secret. It was due to the patriotism and the public spirit of one of our Indian members, and also to the candour and frank honesty of Mr. Thomas, the President of that Committee, that the contents of that document were made available to the members of the Defence Committee. It has been my privilege to follow very closely the proceedings of the Round Table Conference and to acquaint myself with the details as far as I can gather from reports and from talks with men who have played an important part. That cut and dried scheme was made available but for some reason or other it has not been published. Now, Sir, with this fact in view that the recommendation of the Defence Committee itself is that there should be a committee of experts formed to consider the whole question, I think we are really, if I may say so, not using our time to profit in discussing the Resolution of my friend Saiyid Hussain Imam or some of the details mentioned by my Honourable friend who preceded me. The only question which should now arrest the attention of every responsible statesman, Indian or British, is how to effect a rapid Indianisation of the Army in consonance with the spirit of the demand of the Indian people for Dominion Status. That is the only question which ought to engage our attention. I am perfectly content to leave this question at this stage for the decision of the committee of experts which I have no doubt His Excellency the Viceroy, who has been taking a great deal of keen interest in seeing that the recommendations of the Round Table Conference are brought to fruition soon, will not neglect. I am anxious that we should not bother ourselves about the 8-unit scheme or the Skeen Committee because, if this committee is appointed, as has been suggested by the Defence Committee, in which His Excellency the Viceroy is taking a keen interest, as has been evidenced both publicly and privately, our object will be served. We should not bother ourselves with

these small demands for increasing the pace of Indianisation. Our attention should be focussed upon the fundamental thing, the rapid and complete Indianisation of the Army as has been proposed by the sub-committee formed at the time of Lord Reading which for some reason or other has been suppressed but which has now been brought out. Whatever scheme of Indianisation is brought into force, it must be one which will fit in completely with our demand for Dominion Status. I hope my Honourable friend Saiyid Hussain Imam will see the necessity for not pressing this Resolution.

HIS EXCELLENCY THE COMMANDER-IN-CHIEF : Sir, before I reply to the main Resolution, I should like to correct two small mistakes, or rather mis-statements, that were made by the Honourable the Mover. Candidates for the Army do not have to go now before the Deputy Commissioner or the Local Government. Applications come direct to the Government of India. This change was made as the result of the Skeen Committee. The second error he fell into is on the question of expense. The Government of India give a grant-in-aid of £200 at least to each cadet—also since the Skeen Committee.

I must say, Sir, that the general tone of this debate rather surprised me. I am very glad that this Resolution has been moved because it gives me an opportunity of explaining what is the true situation in this matter. From the tone of most of the speakers one would imagine that they had not read the proceedings of the Round Table Conference. Most of the speeches were couched in a vein as if there was a definite opposition on the part of His Majesty's Government, on the part of the Indian Government, and on the part of me as Commander-in-Chief, to more rapid Indianisation or to the creation of an Indian Sandhurst. That is not the case. Surely if you have read the proceedings of that Conference and subsequent speeches, you should have realised that it is the declared intention of His Majesty's Government and the declared intention of the Indian Government to carry on the work of the Round Table Conference in India as soon as they possibly can, and the two Governments are almost in daily communication as to the ways and means of carrying out that policy. With regard to the recommendations of the Sub-Committee on Defence, we have had most of its resolutions read out during the debate, but nobody referred to the statement of the Prime Minister, who, you will remember, dealt with it in his speech which, I believe, has also been published as a White Paper. In that speech he said that if it were possible to put those recommendations into operation without the delay required for the building up of a full constitution, His Majesty's Government would immediately get into touch with the Indian Government and see if that were not possible, and he referred especially to the creation of an Indian Sandhurst. His Majesty's Government have very recently been in communication with the Government of India on that subject and suggested that we should set up that committee of experts as soon as we possibly can to examine the details of the establishment, as soon as possible, of an Indian military college. We referred back to His Majesty's Government to get from them what was their actual definition of an "expert". The expression usually means "professional experts", and would rather seem to have excluded non-officials altogether. His Majesty's Government have now replied to that communication and this is their definition :

"The term 'expert' would include a person, whether official or otherwise, who is qualified by special knowledge or experience to contribute to the solution of those particular problems, those particular problems being to work out details of the establishment of a college in India to train candidates for commissions in all arms of the Indian Defence services."

[His Excellency the Commander-in-Chief.]

That does not look, I think, as if there was any undue delay in the matter. As regards more rapid Indianisation, the situation is not what one would imagine from the speeches of several Honourable Members. To hear them talk one would have imagined that we were talking in the days before Lord Rawlinson or the Skeen Committee. We are not. His Majesty's Government have accepted the principle of more rapid Indianisation, the Indian Government have agreed, and I as Commander-in-Chief, with all the weight of responsibility on my shoulders for the defence of India, have also accepted it. I have been here now for nearly three years and I have naturally devoted very close and anxious thought to this question and I have now quite decided in my own mind what I am prepared to recommend to the Government of India. It is impossible naturally for me to say what that recommendation is, because it has not been put before the Government of India or before His Majesty's Government. But I think that when my intentions and hopes are made clear, those recommendations of mine will be found to represent, consistent with our being able to obtain sufficient candidates of the right stamp, a very substantial advance on any rate of Indianisation that has hitherto been attained. As regards the composition of the Committee, the Government of India have not yet decided on it. It is now under consideration and we have the further question at the moment of bringing in the States. You heard an Honourable Member read out the recommendation of the Sub-Committee that we should also open the new Indian Sandhurst to cadets of the Indian States, and we propose to take advantage of the meeting of the Chamber of Princes next month to obtain their views on that subject and how they should be represented on that committee, and we have every reason to hope that that committee will sit very soon after the Government of India gets to Simla. Meanwhile, the moment I came out here I at once set up an inquiry among my officers who are now hard at work on the collection of facts and figures and statistics, financial and otherwise, which it will be necessary to put before that committee when they commence their deliberations.

Now, Sir, I think from what I have said I should be able to satisfy the Honourable Member that there is no question of burking either the question of further and more rapid Indianisation or the establishment of this committee. But before I close I would like to draw the attention of this Honourable House to the vast difference in the atmosphere in which this committee will sit and the atmosphere in which any previous committee has sat. There were three previous committees, the Military Requirements Committee of Lord Rawlinson, the so-called Shea Committee and the Skeen Committee. To my mind they all sat in an atmosphere of unreality. The principle of Indianisation was only very partially accepted and the principle of the establishment of an Indian Sandhurst was constantly turned down. The situation now is profoundly altered. The young plant of Indianisation has now had seven years' growth, and if it is still delicate and its constitution is not yet wholly satisfactory it has now the declared support of both Governments, the Government at home and here, while an Indian Sandhurst has been actually approved by both Governments and will be an accomplished fact before very long. The new committee will therefore deliberate not in an atmosphere of unreality but as practical men endeavouring to submit practical proposals on a declared policy. I do not minimise the difficulties, Sir, that will be before them. They will have to recommend how we shall be able to produce a body of young men capable of training the Army in peace and of leading it in war, men whom the magnificent soldiers of the Indian Army

will be content to follow when their lives are at stake. It is useless to compare our Indian defence problems here with those of the great Dominions of the British Empire. None of those Dominions has got 500 miles of frontier on which at any minute serious upheavals may occur, in which 500,000—half a million men—armed with modern rifles can be put against us and to deal with whom the highest standard of military efficiency is necessary. Nor has any other Dominion anything like our internal problem. It is useless to say that because you can Indianise the civil services rapidly you can Indianise the Army at the same rate. You may make political experiments, you may make administrative experiments. If they fail nothing very much of great harm happens. Young men of moderate efficiency in the civil services can be carried by their more efficient comrades until they have learnt their work. In war that is very different. A regiment is a very delicate thing, Sir. The psychological factor in a regiment counts far more than the practical one. In war the moral is as three to one of the material factor. If men who fight have not complete confidence in the men who lead them and the men who are on each side of them that delicate machine fails and failure in war is very much more serious than in political or administrative matters. Once the bullet has left the rifle no man can draw it back again, and the failure of one subaltern on a picket may not only imperil his own picket but may imperil the whole of a Brigade and with it perhaps the cause for which his country is fighting. I cannot impress upon you sufficiently, Sir, the immense importance of the deliberations of this committee that is about to be assembled. It largely depends on the advice they give Government whether the new Indianised army will be a success or not. (Applause.)

THE HONOURABLE MR. ABU ABDULLAH SAIYID HUSSAIN IMAM : Will His Excellency say something about the committee to which Mr. Natesan referred ?

HIS EXCELLENCY THE COMMANDER-IN-CHIEF : What does the Honourable Member wish me to say ?

THE HONOURABLE MR. ABU ABDULLAH SAIYID HUSSAIN IMAM : Was there ever such a committee ?

HIS EXCELLENCY THE COMMANDER-IN-CHIEF : I conclude, Sir, the Honourable Member refers to what is known as the Shea Committee, which was presided over by General Shea who was then Adjutant General and acting Chief of the General Staff. That Committee made certain recommendations which another Honourable Member is quite right in saying were not published and brought to notice until the summary of them was placed before the Sub-Committee of the Round Table Conference. I have no comments to make on them. I consider myself that all of these committees are washed out. We start anew on a totally different basis, because a policy is now accepted, whereas those committees were endeavouring to recommend a policy to the Government. The new committee will now meet to advise the Government how best to implement a declared policy.

THE HONOURABLE MR. ABU ABDULLAH SAIYID HUSSAIN IMAM : In replying to the debate I am very glad that His Excellency the Commander-in-Chief has cleared the ground and removed much of the mistrust that was being felt by Nationalist India towards the Army Department. His announcement that the principle of Indianisation has been accepted as an accomplished fact by the Government and by the Commander-in-Chief and by the British Government is really something to be proud of, and it is a happy day for India that this thing should have happened. I have nothing further to add to what I said before except in regard to one or two minor points which I wish to stress. What I suggest is that in order to prepare the ground for

12 Noon.

the training college that has been accepted by the Round Table Conference preliminary steps should be taken. I am glad that His Excellency the Commander-in-Chief has assured us that all the materials for this committee are being collected and that everything possible is being done to expedite the work of the committee. But the building question remains.

Now, the question remains about my Resolution. It was brought forward simply to clarify the situation and to get as much information on this point from the Government as possible. I think that object has been attained. Government are ready to form a committee and the definition of "expert" as given by His Excellency the Commander-in-Chief, does, I think, include some of the Members of the Central Legislature as well. We also have got some soldiers among us and I think they will represent our side in the future committee. Nothing more remains, and I beg leave of the House to withdraw this Resolution.

The Resolution was, by leave of the Council, withdrawn.

RESOLUTIONS *RE* RELEASE OF POLITICAL PRISONERS, ETC.

THE HONOURABLE MR. H. M. MEHTA (Bombay : Non-Muhammadian) : Sir, I withdraw my Resolution.*

THE HONOURABLE MR. K. V. RANGASWAMY AYYANGAR (Madras : Non-Muhammadian) : Sir, my Resolution† is rather similar to what was withdrawn just now by Mr. Mehta.

THE HONOURABLE THE PRESIDENT : The Honourable Member is aware of the rule, I think, that if he is proposing to withdraw his Resolution, he has to confine himself to a bare statement to that effect : he is not allowed to make a speech.

THE HONOURABLE MR. K. V. RANGASWAMY AYYANGAR : Sir, I do not want to complicate the delicate situation, and I withdraw my Resolution on account of the talks going on between His Excellency Lord Irwin and Mahatma Gandhi.

* "That this House recommends the Governor General in Council and the Viceroy in view of the sympathetic response to the Indian demand for Dominion Status at the Round Table Conference to set free all political prisoners in order to secure the sympathy and confidence of the Indian people and co-operation of all the sections of different political views, for the easy working of the new responsible form of Government."

† "This Council recommends the Governor General in Council to release all political prisoners and to invite the leaders of the Congress to a Conference to work out the details of the schemes, the broad outlines of which have been arrived at as a result of the Round Table Conference."

DATE FOR THE ELECTION OF SIX MEMBERS TO THE CENTRAL ADVISORY COUNCIL FOR RAILWAYS.

THE HONOURABLE THE PRESIDENT: In connection with the election of six Members to serve on the Central Advisory Council for Railways the following 16 nominations have been received :

The Honourable Khan Bahadur Nawab Sir Muhammad Muzammil-ullah Khan.

The Honourable Mr. Syed Abdul Hafeez.

The Honourable Mr. Satyendra Chandra Ghose Moulik.

The Honourable Mr. Bijoy Kumar Basu.

The Honourable Raja Bijoy Sing Dudhoria.

The Honourable Rai Bahadur Lala Ram Saran Das.

The Honourable Mr. H. M. Mehta.

The Honourable Mr. Mahmood Suhrawardy.

The Honourable Sardar Charanjit Singh.

The Honourable Major Nawab Sir Mahomed Akbar Khan.

The Honourable Diwan Bahadur G. Narayanaswami Chetti.

The Honourable Khan Bahadur Chaudri Muhammad Din.

The Honourable Mr. Abu Abdullah Saiyid Hussain Imam.

The Honourable Rai Bahadur Lala Jagdish Prasad.

The Honourable Mr. P. H. Browne.

The Honourable Rai Bahadur Radha Krishna Jalan.

The election will take place to-morrow and it will be according to the principle of proportionate representation by means of the single transferable vote—the same form of election which the Council undertook yesterday.

I would remind Honourable Members of what I said yesterday that if any Honourable Member is thinking of withdrawing it is very desirable that he should make up his mind at the earliest possible moment. Ballot papers have to be printed by to-morrow morning and it is necessary for the Council Office to give orders to the press as soon as this meeting is over. The election will take place to-morrow.

STATEMENT OF BUSINESS.

THE HONOURABLE SIR BROJENDRA MITTER (Leader of the House) : Sir, during next week the Council will only sit on Saturday, the 7th March, on which date there will be the general discussion of the Budget.

During the week commencing the 8th March, the Council will be occupied on Monday, the 9th, and Wednesday, the 11th, with non-official business. The Council will deal with Government business on Tuesday, the 10th. So far as I can at present foresee, it is unlikely that there will be any Government business for the 12th March.

In order to distribute Government business more evenly, it is proposed to transfer to the paper for the 10th March the motions relating to the Indian

[Sir Brojendra Mitter.]

Ports Amendment Bill and the Vizagapatam Port Bill which are at present fixed for to-morrow. Motions will also be made on the 10th March for the consideration and passing of the Indian Merchant Shipping (Amendment) Bill.

I am unable at present to make any further prediction as to the course of Government business which will depend on events in another place. I shall take the first possible opportunity of making a statement on the subject.

The Council then adjourned till Eleven of the Clock on Thursday, the 26th February, 1931.

COUNCIL OF STATE.

Thursday, 26th February, 1931.

The Council met in the Council Chamber of the Council House at Eleven of the Clock, the Honourable the President in the Chair.

GOLD THREAD INDUSTRY (PROTECTION) BILL.

THE HONOURABLE MR. J. A. WOODHEAD (Commerce Secretary): Sir, I beg to move that the Bill to provide for the fostering and development of the gold thread industry in British India, as passed by the Legislative Assembly, be taken into consideration.

One of the provisions, Sir, of last year's Finance Bill was the imposition of a duty of four annas per ounce on silver bullion. It was represented at that time that the imposition of this duty would affect adversely the manufacturer in India using silver as a raw material, and the Finance Bill therefore provided that the duty of 30 per cent. *ad valorem* should be increased to 38 per cent. That increase of 8 per cent. was imposed for one year only on the understanding that an inquiry would be made by the Tariff Board in the meantime as regards whether the industries affected required protection. The Tariff Board has held an inquiry and Honourable Members have, I believe, received a copy of the report. This Bill seeks to give effect to the recommendations made by the Board in that report. The recommendations, as Honourable Members will no doubt have noticed, are limited to what is called the gold thread industry, and the Bill therefore makes no provision relating to the manufacture of other articles which in the technical language of the Schedule to the Tariff Act are called "silver plate" and "silver manufactures, all sorts not otherwise specified".

A feature of the gold thread industry is that it is conducted largely on cottage industry lines. It is true that there are a few small factories in the Bombay Presidency in Surat, but the greater portion of the gold thread produced in India is made on a cottage industry basis. Although the industry is a small industry in so far as it is a cottage industry it is of very considerable importance as can be judged from the fact that the Board estimates it produces goods worth about a crore of rupees a year and employs about 10,000 men. During recent years the industry has developed very considerably, and its expansion has, no doubt, been assisted by the increase in the duty to 30 per cent. in 1922. Although there has been a decrease in the price of silver since 1921-22, still the value of the gold thread produced in India has increased by not less than 40 lakhs of rupees. At the same time the imports of gold thread have increased considerably, and the Board suggest that the increase in the imports in spite of the increased Indian production is due to a larger demand consequent on a decrease in price owing to a drop in the price of silver.

As regards the present position of the industry the Board find that under the existing revenue duty the Indian industry holds its own in Northern and Western India and possesses almost a monopoly of the market in that area.

[Mr. J. A. Woodhead.]

The imports of gold thread into Bombay which is the market for Northern and Western India are small, and the conclusion that the Board arrive at is that in that area, that is, Northern and Western India, the price of Indian gold thread is determined almost entirely by internal competition, that the price, as in the case of all cottage industries, is cut to the lowest limit, and that in that area an increase in the duty will have no effect on prices. The position in Southern India is however different. In the Madras Presidency gold thread is used mainly for high class handloom made goods. These goods are sold at comparatively high prices, and it is important that they should be of high quality; high quality in the case of Madras goods is a matter of first class importance. The Tariff Board find that at present the handloom weaver in the Madras Presidency does not find the Indian gold thread suitable for his requirements partly because the imported article is of a higher quality and partly because the Indian manufacturer has not yet been able to maintain a uniform standard of quality. The handloom weaver in Madras is not certain, although he may obtain the gold thread made in India from the same source, that the standard will at all times conform to his requirements. The whole problem, therefore, from the point of view of protection amounts to this, that with the revenue duty of 30 or, as it is now, 38 per cent. the manufacturers in India have failed to capture the market in South India. To capture this market the Indian manufacturer must improve his quality and also maintain a uniform standard. The conclusions which the Tariff Board arrived at are that with the introduction of improvements in the manufacture in India there is no reason why the Indian manufacturer should not ultimately be able to supply the Madras market without the aid of a protective duty, but that this cannot be accomplished without some additional assistance beyond that given by the present revenue duty.

In estimating the amount of protection required the Board were not able to follow their usual procedure of obtaining detailed statements of costs. This perhaps was natural as they were not dealing with an organised industry but with a cottage industry where costs are obviously difficult to determine and of course are not kept in detail by the manufacturers. What the Board did—and I think it was the only possible procedure—was to call a meeting of the manufacturers at the main centre, that is Surat, to discuss with them the whole question of costs and to arrive at a figure which represents as accurately as possible the cost of production. This was the method the Board followed, and they believe that they have arrived at a reasonably accurate estimate of the cost of production, and one which is accepted by the manufacturers themselves. What the Board found was this, that the fair selling price of gold thread of the quality necessary to supply the market in Southern India was Rs. 41-9-0 per marc of 8 ounces. The price of the imported article exclusive of duty is Rs. 29-4-0. The difference which is Rs. 12-5-0 represents the amount of the duty required. On an invoice price of Rs. 25-12-0 a duty of Rs. 12-5-0 is approximately 48 per cent. *ad valorem* and the Board rounded off this figure to 50 per cent. *ad valorem*.

As regards the period of the protection, the Board came to the conclusion that a period of ten years will be required before the Indian manufacturer can produce gold thread of a quality equal to that now imported and required by the Madras market and they recommend that the duty should be imposed for that period.

The terms of reference to the Board also required them to consider the probable effect of their recommendations on industries using silver manufac.

tures. The industry which Government had then in view was the handloom weaving industry, particularly that situated in Madras. Unfortunately, Sir, owing to some accident, the letter which the Tariff Board issued to the Director of Industries in Madras failed to reach that officer, and the Madras Industries Department did not place any facts before the Tariff Board. On the other hand, Honourable Members will find if they refer to paragraph 22 of the report, that the Board did make very careful inquiries in this matter and obtained information from a well-known firm in Madras, Messrs. Pierce Leslie and Company. I understand that this firm is an important firm in Madras closely connected with the handloom weaving industry, and that they probably have fuller information as regards that industry than anybody else. The point brought out in that paragraph—paragraph 22—is this. The Board took a silk saree made in Madras at Salem which contains the largest amount of imported gold thread. Of any article manufactured in Madras this particular saree is one which contains the largest amount of gold thread. The total value of this saree is Rs. 116-0-0 with the present duty, and the Board found that if the duty on gold thread were increased to 50 per cent. *ad valorem* the price of that saree would increase by only Rs. 3, that is, to Rs. 119-0-0. From these facts the Board concluded—and I think the conclusion is a reasonable one—that the effect of an increase in the duty to 50 per cent. *ad valorem* would not be serious on the handloom weaving industry in Madras.

There is also another point which I should like to mention and that is as regards what is called half fine imitation and imitation gold thread. The Board have recommended—you will find that the Bill provides for this—that imitation gold thread, that is, both half fine imitation and imitation, should also be subject to the 50 per cent. duty. The reasons for these proposals are two. But before I explain this, I might explain what is meant by half fine imitation and imitation. Half fine imitation gold thread is thread in which while the gold gilding remains the silver is replaced by a base metal, and imitation gold thread may be defined as thread containing no trace of either silver or gold. The first reason for imposing a 50 per cent. duty on imitation gold thread is an administrative one. According to the Sea Customs Act, gold thread, even if it contains a trace of one of the precious metals, is liable to the revenue duty of 38 per cent. The manufacturers and importers of gold thread found it difficult to ensure that all traces of the precious metal were absent, and on their representations Government fixed the margin of error at 1 per cent. of the precious metal. Anything containing less than 1 per cent. would not be liable to the 38 per cent. duty. This, however, did not solve the difficulty, and complaints were made again with the result that Government raised the margin to $1\frac{1}{2}$ per cent. Complaints are still brought forward and the trouble really lies in the fact that no matter whatever limit is fixed, competition will drive the manufacturer to produce as near that limit as possible. Further, as long as there is a limit of this character or any differentiation in the duty, a considerable amount of work is thrown on the Customs Department, and Honourable Members will understand the extent of this work when I say that the chemical tests in the Customs House in Bombay amount to 150 a month. Apart from this administrative difficulty, however, the Tariff Board found that the lower qualities of gold thread manufactured in India suffer severely from competition from half fine imitation and imitation gold thread, and they came to the view that if both these classes of imitation gold thread were subjected to the 50 per cent. duty, the manufacturer in India would be able to extend his market substantially.

There is only one other point to which I might draw attention and that is in regard to articles known as spirals, discs and flattened wires. The Council

[Mr. J. A. Woodhead.]

will notice that these have also been included in the Bill. These articles are practically in every case manufactured from silver wire and it was considered that the duty proposed on gold thread might suitably be applied to these articles also.

The Bill at first sight looks rather complicated. Clause 5 is the important clause and that clause contains the whole sum and substance of the Bill. The other clauses, clauses 2, 3 and 4, are merely drafting matters arising out of the fact that the Bill imposing the additional 8 per cent. duty does not expire till the 31st March next.

Sir, I move.

The motion was adopted.

Clauses 2, 3, 4 and 5 were added to the Bill.

Clause 1 was added to the Bill.

The Title and Preamble were added to the Bill.

THE HONOURABLE MR. J. A. WOODHEAD : Sir, I move that the Bill, as passed by the Legislative Assembly, be passed.

The motion was adopted.

STEEL INDUSTRY (PROTECTION) BILL.

THE HONOURABLE MR. J. A. WOODHEAD (Commerce Secretary) : Sir, I beg to move that the Bill to provide for the modification of certain duties relating to the fostering and development of the steel industry in British India, as passed by the Legislative Assembly, be taken into consideration.

Sir, the Bill is a small one, in fact it may be said to form a small supplement to the Steel Industry (Protection) Act of 1927. It does not, I believe, raise any question of principle. The articles dealt with in the Bill fall into two categories and it will perhaps be simpler if I deal with these categories separately. In the first category fall fish bolts and nuts and ordinary bolts and nuts, dogspikes, gibs, cotters, keys and rivets. A gib I might explain is an article used in connection with steel rails. As regards these articles, a firm engaged in their manufacture represented that, while the price of the steel they bought for making these articles was increased by the amount of the protective duties, whether that steel was imported steel or steel made in India, the duty on the finished products when imported from abroad was either only 10 per cent. *ad valorem* or, if they came within the protective schedule, was not sufficient to compensate the Indian manufacturer for the cost which he had to incur in the duty on the materials from which he made these articles. I give the instance, Sir, of fish bolts and nuts. The duty on the imported article was only 10 per cent., while the duty on the material from which fish bolts and nuts are made is very much higher. The Tariff Board inquired into the matter and found that the facts were as stated by the firm and they came to the conclusion that what we call tariff inequality existed. As regards these articles all that is proposed to be done is to fix the duty at such a level that the Indian manufacturer will not be handicapped by the fact that there is a protective duty on the raw material he uses for the manufacture of these articles. The second category includes chrome steel switches and crossings and stretcher bars. Chrome steel switches and crossings were not included in the protective schedule

of the Act of 1927 because at that time chrome steel was not made in India. Recently, the Tata Iron and Steel Company have commenced and have succeeded in manufacturing chrome steel and therefore there is no longer any reason why these articles made of chrome steel should be excluded from the protective schedule. In fact, as chrome steel is now made in India these articles should be treated for protective purposes in exactly the same manner as any other switches and crossings. Stretcher bars I might explain are part of switches and crossings and it was thought that they should be liable to the same duty as switches and crossings. I do not think, Sir, I need add anything further. The Bill as I have said raises no important question of principle and is really a small supplement to the Act of 1927.

Sir, I move.

The motion was adopted.

Clause 2 was added to the Bill.

The Schedule was added to the Bill.

Clause 1 was added to the Bill.

The Title and Preamble were added to the Bill.

THE HONOURABLE MR. J. A. WOODHEAD: Sir, I move that the Bill, as passed by the Legislative Assembly, be passed.

The motion was adopted.

CANTONMENTS (AMENDMENT) BILL.

HIS EXCELLENCY THE COMMANDER-IN-CHIEF: Sir, I move that the Bill further to amend the Cantonments Act, 1924, for certain purposes, as passed by the Legislative Assembly, be taken into consideration.

This Bill, Sir, as the Army Secretary has explained in another place, consists of a collection of amendments in the Cantonments Act which have nothing to do with each other but have all been found necessary and desirable in practice and as the result of experience in the working of the Act during the last few years. They are fully explained in the Statement of Objects and Reasons and I will therefore only give a very brief explanation of the purport of each amendment. Clause 2 reduces the quorum of members of nominated boards from 5 to 4. Nominated boards are as a rule smaller than elected boards and in certain nominated boards, at Quetta for instance, it has been found difficult to convene meetings because the minimum number of members necessary for a quorum is at present 5. Clause 3 will enable the Army Commander to exercise supervisory powers over Cantonment Authorities, either on his own initiative or on the recommendation of the General Officer Commanding the District. At present he can only do so on the recommendation of the District Commander. Since the passing of the Cantonments Act of 1924 District Commanders have had much less concern with the management of Cantonments and it is clearly advisable that Army Commanders should not have to wait for a recommendation by the District Commander in every instance before they intervene. Clauses 4 and 5 go together and remedy a defect in wording. The owner of a building may claim remission of taxation after the building has remained vacant and unproductive of rent for 90 or more consecutive days. But the Act also provides that no such remission can take effect for more than 15 days before the owner has put in his claim. If the Act were

[H. E. the Commander-in-Chief.]

literally enforced, therefore, the owner would get no remission for the first 75 days during which the building was vacant and unproductive of rent. Clauses 4 and 5 will remove this anomaly. Clause 6 will enable Local Governments by notification to exempt where necessary the property of private persons from cantonment taxation. Local Governments have at the present moment powers to exempt persons from taxation but the only property they can exempt from taxation is the property of Government. It is not quite clear how that distinction arose in the present Cantonments Act, but Government used to have power to exempt private property as well as persons. Local Governments have the same power in the case of municipal taxes in some, if not all, of the provinces. Clause 7 empowers European Sergeants of Police, if authorised by the Officer Commanding the Station with the concurrence of the District Magistrate, to institute complaints in cases of solicitation. Clause 8 empowers the Cantonment Authority to delegate some of the duties of the Executive Officer either to a member or an official of the Cantonment Authority during the absence of the Executive Officer from Cantonments. This measure will be especially useful in small outlying Cantonments which have to share their Executive Officers with neighbouring Cantonments.

Sir, I move.

The motion was adopted.

Clauses 2, 3, 4, 5, 6, 7 and 8 were added to the Bill.

THE HONOURABLE THE PRESIDENT: The question is:

"That clause 1 do stand part of the Bill."

HIS EXCELLENCY THE COMMANDER-IN-CHIEF: May I draw your attention to the fact that owing to a printer's error in clause 1 (the Short Title) the figure "1" has been omitted; it should be 1931.

THE HONOURABLE THE PRESIDENT: I think we may obviously take that as a printing mistake.

Clause 1 was added to the Bill.

The Title and Preamble were added to the Bill.

HIS EXCELLENCY THE COMMANDER-IN-CHIEF: Sir, I move that the Bill further to amend the Cantonments Act, 1924, for certain purposes, as passed by the Legislative Assembly, be passed.

The motion was adopted.

INDIAN NAVAL ARMAMENT (AMENDMENT) BILL.

HIS EXCELLENCY THE COMMANDER-IN-CHIEF: Sir, I move that the Bill to give effect in British India to the Treaty for the Limitation and Reduction of Naval Armament, as passed by the Legislative Assembly, be taken into consideration.

This Bill, Sir, is a normal and necessary consequence of the fact that India was represented by the High Commissioner at the recent Treaty for the Limitation and Reduction of Naval Armament as signed in London in April 1930.

India is not yet concerned in the actual limitations proposed by the Treaty as she does not yet possess any vessels of the various classes and sizes which the Treaty seeks to restrict. It is, however, necessary for India to ratify the Treaty in the same way as the previous Treaty for the limitation of Naval Armament signed at Washington in 1922. India was represented at that Treaty also and subsequently passed the Indian Naval Armament Act, 1923, referred to in the present Bill in pursuance of the terms of that Treaty.

Sir, I move.

The motion was adopted.

Clauses 2, 3 and 4 were added to the Bill

Clause 1 was added to the Bill.

The Title and Preamble were added to the Bill

HIS EXCELLENCY THE COMMANDER-IN-CHIEF: Sir, I move that the Bill, as passed by the Legislative Assembly, be passed.

The motion was adopted.

RESOLUTION *RE* CONTINUANCE OF THE INCREASED IMPORT DUTIES ON GALVANIZED IRON AND STEEL PIPES AND SHEETS, ETC.

THE HONOURABLE MR. J. A. WOODHEAD (Commerce Secretary): Sir, I beg to move:

"That this Council recommends to the Governor General in Council that the increased import duties imposed by Notification No. 260-T. (127)-Tariffs, dated the 30th December, 1930, in exercise of the powers conferred by section 3 (4) of the Indian Tariff Act, 1894, on galvanized iron and steel pipes and sheets for the period 30th December, 1930 to 31st March, 1931, be continued up to the 31st March, 1932, and that before that date Government should make enquiries in order to ascertain whether a system of bounties might not be substituted wholly or in part for the increased duty."

Sir, under the Steel Industry (Protection) Act of 1927 the protective duty on galvanized sheet was fixed at Rs. 30 per ton. The Tariff Board in their Report of 1926 had estimated that the import price of galvanized sheet would be Rs. 240 a ton and the fair selling price of galvanized sheet of Indian manufacture would be Rs. 270 a ton. It was on this basis that the duty of Rs. 30, that is, the difference between Rs. 240 and Rs. 270, was fixed by the Act of 1927. Although the Act of 1927 fixed the duty at this figure it also recognised—and it contained provisions to this effect—that circumstances might arise in which the price of the imported article might fall to such a level as to render ineffective the protection intended to be afforded to the manufacturer in India, and to meet this emergency the Act empowered the Governor General in Council without reference to the Legislature, after such enquiry as might be thought necessary, to increase the duty. In September last the Government of India received an application from the Tata Iron and Steel Company for an increase in the protective duty on galvanized sheet. The ground on which they asked for this additional protection was that the price of galvanized sheet had fallen very considerably and that galvanized sheet was now being imported into India at a price which rendered ineffective the protection intended to be afforded by the existing duty of Rs. 30 per ton. They urged that the circumstances which the Act of 1927 contemplated might

[Mr. J. A. Woodhead.]

arise had arisen, and they requested the Governor General in Council in exercise of his powers under section 3 (4) of the Indian Tariff Act to increase the duty on galvanized sheet. An enquiry was made by the Tariff Board and they found that the fair selling price of galvanized sheet manufactured in India was now Rs. 236 per ton and the present landed duty free price of imported sheet was Rs. 169 per ton. The difference between these two figures, 236 and 169, Rs. 67, represents the measure of protection now required, and the Board recommended that this additional protection should be given in the form of an increased duty, the increase being from Rs. 30 to Rs. 67 per ton. The Government of India accepted the findings of the Board in respect of the need for additional protection and by a Notification to which my Resolution refers, the duties on galvanized sheet and certain articles made from galvanized sheet were increased. The Notification directed that those increased duties should remain in force until the 31st March, 1931, and the Resolution which I have now moved recommends that these increased duties should be continued for a further year until the 31st March, 1932, and that before that date inquiries should be made in order to ascertain whether a system of bounties might not be substituted wholly or in part for these increased duties.

Sir, I will deal first with the amount of additional protection required. Almost since the passing of the Steel (Protection) Act of 1927 the price of imported galvanized sheet has fallen steadily and owing to this fall I think it is certain that the manufacturer in India has not received at any time since the Act was passed the price which the Legislature considered would be a reasonable price to the Indian manufacturer. In other words, Sir, he has not enjoyed the full amount of protection which the Legislature intended to give him. One of the reasons for this decline in the price of imported galvanized sheet is the fall in the price of spelter. This, of course, is a fact which affects both the Indian manufacturer and the price of the imported article and in itself affords no ground for additional protection. The Steel Company recognized this and in their application for further protection they allowed for the fall in the price of galvanized sheet due to the fall in the price of spelter. The decrease in the price of spelter has been sufficient to cause a fall in the price of galvanized sheets of Rs. 34 a ton, and if this element is allowed for, the import price of Rs. 240 per ton, which was taken in 1926, is reduced to Rs. 206 per ton and the corresponding adjusted fair selling price of the Indian manufacturer is reduced from Rs. 270 to Rs. 236 a ton. Besides this fall in the price of spelter there have, however, been other causes operating, and these causes have resulted in a further fall in the price of the imported article. And it is in view of this additional fall in price that the need for additional protection arises. The causes which have operated to produce this further fall are two. The first is increased competition from the Continent. Honourable Members will no doubt remember that in 1926 when the Tariff Board conducted their statutory inquiry, the imports from the Continent were practically nil. At that time the whole of the imports of galvanized sheets into India came from the United Kingdom. The second cause is the collapse of the British Sheet Makers' Association and the drop in prices consequent on that collapse. As I have said, Sir, the Tariff Board estimated that the present price of imported galvanized sheets is Rs. 169 per ton and this is the figure which the Board has taken in estimating the amount of the additional protection required. As I have already explained, the additional protection is the difference between Rs. 236 and Rs. 169 per ton.

I now turn, Sir, to the method of protection. The Tariff Board considered very carefully whether the additional assistance which was required

should be given by way of a duty or by the grant of a bounty, or by a combination of these two methods. Their decision was definitely in favour of a duty, and with your permission, Sir, I will try and explain the facts and the circumstances which weighed with the Tariff Board in coming to that decision. First of all they pointed out that in 1924, when the output of galvanized sheets by the Tata Iron and Steel Company had hardly commenced, the Legislature approved of a duty of Rs. 45 per ton and that at the time when the Steel (Protection) Act of 1927 was passed, although the Steel Company's production of galvanized sheet was only in the neighbourhood of 12,000 tons per annum as compared with imports in 1927 of 275,000 tons, protection was given by means of a duty of Rs. 30 a ton. They went on to say that although, in view of the small Indian production in 1926-27, the case for a bounty in 1927 was stronger than it is at present, yet notwithstanding this the Legislature, having fully considered the question of assisting the steel industry by means of bounties, decided that the protection of galvanized sheet should be given by the imposition of a duty. The Tariff Board also attached great importance to the need for prompt action and they laid stress on the fact that an increase in the duty, inasmuch as it does not require the annual vote of the Legislature, renders it much more easy to bring about stable conditions in which manufacturers and traders can carry on their business. This is what the Tariff Board said in this connection. I am quoting, Sir, from paragraph 8 of their Report

"Clearly if serious damage to the home manufacturer should be avoided, prompt action is necessary and such action can only be taken by the adoption of measures which do not involve legislative sanction. The provision in the Steel (Protection) Act of additional duties leviable by the Governor General in Council is a clear recognition of this principle by the Indian Legislature. Assistance by the grant of a bounty necessarily involves delay since the assent of the Legislature must be secured to expenditure of this nature. * * * Equally as important as the loss of income which would result from such a delay is the uncertainty which would prevail as to the grant of a bounty and the period for which it would be continued. Even if the need for protection be recognised to be such as to necessitate it for a period of years, it cannot be assumed that the Legislature would assent to a system of bounties which would commit it to anything in excess of a grant for one year. Unless the Tata Iron and Steel Company has some guarantee of continued assistance, it cannot be expected to push forward the development of its plant. As we shall see later, it is of the utmost importance to the future of the Company that an outlet should be found for the ingot steel which is now likely to be in excess of requirements on account of the reduction in the orders for rails and delay in the grant of assistance would undoubtedly tend to react unfavourably on the consumer by postponing the time when the industry will be able to stand without assistance."

That, Sir, is a quotation from paragraph 8 of that Report. The Board also examined the effect on the consumer of this proposed increase in duty and the facts to which they drew attention are these. The pre-war landed duty paid price was Rs. 202 and the fair selling price now proposed with the additional duty is Rs. 236—a difference of Rs. 34. This difference of Rs. 34 represents an increase of about 17 per cent. over the pre-war price, and the Tariff Board drew attention to the fact that this increase of 17 per cent. compares very favourably with the existing level of prices as disclosed by the Calcutta Index Number of Wholesale Prices. According to that Index Number the existing level of prices exceeds the pre-war standard by about 14 to 16 per cent. From these facts the Board concluded that if their proposal for an increase in the duty were accepted, the consumer would not be asked to pay for galvanized sheet a price in excess of the general standard of prices in this country. They also mentioned other considerations which Honourable Members will find stated in paragraph 10. The facts to which I have drawn particular attention and the other considerations to which I have referred

[Mr. J. A. Woodhead.]

led them to the conclusion that an increase in the duty would cause no serious hardship to the consumer.

Now, Sir, when the Tariff Board's Report was received by Government, they had to consider carefully whether they should proceed by way of a duty or by way of a bounty. The arguments for and against the adoption of either of these courses were very carefully considered, and in weighing those arguments Government recognised that the adoption of assistance by way of a duty in 1924 and 1927 had not committed the Legislature to a duty in preference to a bounty as regards any additional protection which might now be found to be necessary. Government also did not overlook the fact that the production of galvanized sheet in India constitutes a relatively small proportion of the total consumption. The final decision reached by the Government of India was, as the Council is aware, in favour of a duty, and I make no secret of the fact that this decision was influenced by the actual financial situation to-day.

This, Sir, brings me to the actual wording of the Resolution as I have moved it. What the Resolution in effect amounts to is this, that the duty recommended by the Tariff Board should be continued for one year till the 31st March, 1932, that during that year the Government should examine the possibility of substituting wholly or in part a system of bounties for those increased duties, and that before the close of the next financial year Government should again place the whole case before the Legislature, so that a decision may be arrived at as regards this question of bounty *vs.* duty. I hope, Sir,—I think I may go further and say I believe—that this course of action will commend itself to this Council as the proper course to adopt in order to arrive at a correct decision on this question of duty *vs.* bounty. If the Resolution is accepted, the House is not committed to the continuation of the increased duties beyond the 31st March, 1932, and before that date the Legislature will have an opportunity of expressing its views as regards the form the protection should take after that date.

In this connection, Sir, I should like to refer to one other point, particularly as it has not been dealt with in the Report of the Tariff Board, and that is the administrative questions which must inevitably arise and must be examined before a system of bounties can be introduced. The adoption of a system of bounties presupposes that the examination and certification of every galvanized sheet produced by the Indian manufacturer will not present insuperable obstacles. Enquiries on this point have yet to be made. But I think it is possible—I do not wish to suggest that the difficulties are insuperable—that the maintenance of a record of every galvanized sheet manufactured by the Indian manufacturer will be a somewhat complicated business, and that the inquiries we shall have to undertake in consultation with the Audit Department will be of a somewhat detailed character and may take some time.

The Tariff Board in making their inquiry did not consider in great detail the question of costs, and I should like to say one or two words on this point. These supplementary inquiries are, as the House will realise, conducted under great pressure of time and I am quite certain, Sir, that it would not have been possible for the Board to have made any kind of detailed investigation into costs without undertaking a detailed and lengthy investigation of the whole working of the Steel Company.....

THE HONOURABLE MR. A. HAMID : It was desirable.

THE HONOURABLE MR. J. A. WOODHEAD : and I would suggest, Sir, that the Tariff Board was correct in not examining the question of costs more fully than they did. In this connection I would invite the attention of Honourable Members of the House to paragraph 162 of the Tariff Board's Report of 1926. In that paragraph the Board said that it appeared to them important that when circumstances indicate that owing to a change of price a change in duty is required, there should be no unreasonable delay in arriving at a decision or in giving effect to it. For this reason, Sir, they considered that no formal or public inquiry should be held before an additional duty is imposed. In fact, what the Tariff Board then contemplated was that Government should take action on an examination of the course of import prices without any formal or public inquiry.

From a perusal of the debates in another place I find that it has been suggested that the revenue which will accrue to Government from this increased duty of Rs. 37 a ton will be in the region of a crore or a crore and a half of rupees. Sir, I am in a position to give the House a more correct estimate and I trust that the House will accept my estimate as a reasonable forecast of the possible revenue from the increased duty of Rs. 37 a ton. The imports of galvanized sheets have fallen very considerably during the year 1930-31. The imports for the nine months, April to December, 1930, were only 119,000 tons as compared with 193,000 tons in 1929 and 223,000 tons in 1928. Again, the imports during the three months, October, November and December, 1930, were only 24,000 tons as compared with 63,000 tons for the corresponding period of 1929 and 81,000 tons for the corresponding period of 1928. On the basis of these figures, Sir, it appears probable that the imports during the financial year 1930-31 are not likely to exceed 140,000 tons.

THE HONOURABLE SIR MANECKJI DADABHOY : Perhaps much less.

THE HONOURABLE MR. J. A. WOODHEAD : and unless commodity prices improve, it appears more than probable that imports in the coming financial year, that is in 1931-32, may be considerably less than in the year 1930-31. I would suggest, Sir, that it is probable that the imports during the coming financial year may not exceed, say 120,000 to 130,000 tons. That, I think, may be an over-estimate. Still I put it forward as a probable figure. If this be so, the additional duty of Rs. 37 a ton will yield a revenue of somewhere about 50 lakhs—half a crore. Again, if we presume that during 1931-32 the production by the Steel Company is anything from 30,000 tons to perhaps 35,000 tons—I have not an accurate figure but 30,000 tons was the average figure given by the Tariff Board for the period of protection in their 1926 Report—the bounty payable would amount to about Rs. 11 lakhs. Deducting this sum from the figure of Rs. 50 lakhs, there remains the sum of about Rs. 39 lakhs, and I would suggest, Sir, that there is a considerable difference between the figure at which I have arrived and the figure which has been given on other occasions and which was apparently based upon the high imports of 1927-28 to 1929-30. I also find, Sir, from remarks made in the debate in another place that it has been suggested that as the Tata Iron and Steel Company manufacture only sheets of 24 gauge and upwards in thickness, sheets of 26 and 28 gauges should not be subject to the protective duty. Unfortunately I cannot give the House any idea of the relative quantities of the different gauges imported. Our trade returns do not classify galvanized sheets according to gauges, but I understand that considerable quantities

12 Noon. of the 26 and 28 gauges are imported both into India

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and Burma. I would however remind the House that the present duty is applicable to all gauges and I will try and explain why this is so. The Tariff Board in paragraph 112 of their Report in 1926 were guided by two principles in considering the detailed application of the duties they then recommended. The first was that the protective duties should not be applied to steel which is not manufactured in India; and the second was that the scheme of protection should include those forms of iron or steel which though not manufactured in India might be used in substitution of the protected class of steel unless the duty is sufficiently high to make substitution unremunerative. It is the second principle, Sir, to which I particularly wish to draw attention and if I may, Sir, I should like to repeat it, it is this, the protective duties should be applied to those forms of steel which although not manufactured in India may be used in substitution of the protected class of steel unless the duty is sufficiently high to make substitution unremunerative. In this case, Sir, this principle applies. The difficulty is this. Galvanized sheets of one gauge are, I think, capable of being substituted for sheets of another gauge, and the effect of singling out galvanized sheets of one particular gauge for protection would be to defeat the very object of the protective duty, because the immediate effect would be that galvanized sheets of gauges not subject to the protective duty would be imported in preference to those subject to the protective duty. This principle, Sir, was accepted by the Legislature in 1924 and 1927 when they imposed one duty on all galvanized sheets. And, Sir, the principle has also been accepted on other occasions. I would remind the House, perhaps those Members who were Members of this House in March, 1930, will remember, that a Bill was introduced in and passed by this Council in that Session dealing with the protection of steel bars. Steel bars of a size of half an inch and upwards were liable to the protective duty while those of a size of less than half an inch were liable to the revenue duty of 10 per cent. It was found, Sir, that steel bars were being imported in sizes of fifteen-thirty seconds of an inch and thirty-one-sixty-fourths of an inch, and apparently these bars were being made of this size with the direct intention of entering India at the revenue duty and escaping the protective duty, because when the protective duty was imposed the standard size below the half inch bar was seven-sixteenths of an inch. It was found necessary to alter the protective schedule so as to apply the protective duty to these bars of fifteen-thirty seconds of an inch and thirty-one-sixty-fourths of an inch, so as to ensure that the protection which it was intended to give to the manufacturer of these bars should be assured to the Indian producer.

Sir, I have very little more to say. In conclusion all that I would like to say is this. It is I think clear that unless action is taken now there is a real danger that the price at which the Indian manufacturer will be able to sell his sheets may be lower than the works cost of production, that is, the cost without allowing anything for overhead charges and interest on capital, and in these circumstances, Sir, it will be difficult for the manufacturer to carry on the manufacture of galvanized sheets.

Sir, I move.

THE HONOURABLE MR. A. HAMID (Burma : General) : Sir, it is because we have a genuine grievance in Burma about this matter that I decided on behalf of the opposition to oppose this Resolution. Lest my views which I am about to place before the House should be misconstrued, I consider it advisable to state freely and frankly that I have no desire to obstruct, much less to endeavour or manoeuvre to defeat Government in any measure by which it

is sought to promote the interests of nation-building industries or which is calculated to secure revenue for any lawful purposes for the governance of the country. Before I pass on to the subject-matter of the Resolution, I beg of you, Mr. President, to permit me to refer to a statement which I have made outside the precincts of this House to the various Members of this House. Though I do not think it necessary to enter into the details of the statement, which I made in my capacity as the representative of Burma, yet I think it necessary to make it abundantly clear that I had expressed myself somewhat strongly against the Tata Iron and Steel Company, and in that connection I may even have stated that our throats were cut in order to stabilise the Tata Iron and Steel Company, Ltd. The grounds for my statement are obvious. In the first place, Messrs. The Tata Iron and Steel Company, Ltd., have deliberately broken faith with their shareholders in respect of the statements they made in their prospectus to the general public at the time of the inception of the Company when they required lakhs or probably crores of rupees to start their works. In the second place, without any tangible excuse they have wasted a colossal amount of their capital in the purchase of plant and machinery which eventually proved absolutely useless for their purpose. In the third place, they persuaded responsible people in this country—in the other House—I am glad to say not in this—for the purpose of securing financial help from the Government on specific undertakings, in order to exist,—I repeat even at the risk of redundancy—on a definite undertaking that they would carry out all that was desirable in order to economise and reduce the top-heavy expenses introduced merely for the sake of glory and not for the sake of any known reasonable practice in commercial enterprises of the nature they set up. While talking about the waste of money, I may bring it to the notice of this Honourable House that in the beginning of their career as commercial people they had a Manager who drew over Rs. 20,000 a month; in other words, he drew more salary—probably he deserved it—but nevertheless the fact remains that his salary was more than that of His Excellency the Viceroy of India. It is common knowledge that off and on when they had to employ Assistants or Assistant Managers or Secretaries and when those people were taken from other sources, the Tata Iron and Steel Company offered them salaries beyond their expectations. I think I am quite justified in bringing to the notice of this House that a man who left the services of Tatas recently and who joined them about five years ago, was drawing only Rs. 2,000 a month while in Government service, and when he was practically physically and mentally done for, Tatas took him on at Rs. 6,000 a month. There are several instances which I could go on repeating for the next ten days, but I think it sufficient to say that the public money placed in the hands of Tatas had been squandered. There is no other word for it. Another reason for making the statement I have already alluded to and which I will clarify after a while is, that the Government of India—I am talking of the Government of India—committed themselves to a very definite promise a few years ago that no further financial help would be accorded to Tatas until and unless they economised and introduced cuts all round, compatible with their production. Having made my position clear in respect of the statement which I am alleged to have made, I will go a step further and commit myself in this House, by making an additional statement and I shall stand by my statement until doomsday, Sir, and that is, that whereas the Bombay Trading Corporation, Limited, which is for all intents and purposes an Indian or a mixed Corporation, had the glorious reputation of winning Burma for India, the Tata Iron and Steel Company, I am very sorry to say, I am extremely sorry to say, will have the reputation, the inglorious reputation, the unenviable reputation, of having lost Burma for the Indian Empire! For, I may as well mention, Sir, that it is the tariff and

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fiscal policy of the Government of India that has brought about the present acute agitation about the separation of Burma from India. I need not say any more.

Honourable Members are aware that I am the representative, the elected representative of Burma, and I feel privileged and I feel proud that I represent probably a greater number of the electorate than a great many Honourable Members of this House put together, because—not for anything else—the qualification of electors for this House in Burma are far below those obtaining in India; they are on an income of Rs. 3,000 upwards, whereas in India they are on an income of about Rs. 30,000. Now, Burma is not very far off from here. It is only about 1,500 miles from here and only about 650 miles from Calcutta. It is a place, I am sure Honourable Members will appreciate it better, if I state where millions of tons of rice, millions of tons of petrol and kerosene oil, millions of tons of minerals, in the shape of tin and wolfram, lead, copper and zinc are produced and where last but not the least, an important commodity such as silver is being mined. To sacrifice a province so rich, so wealthy, a province which helped the Empire during its very acute, and I should say, serious crisis—I am referring to the war—when Burma not only supplied the commodities to keep soldiers and civilians going, but it supplied a metal called wolfram which no other country in the world except Germany was producing at the time—is to say the least a culpable mistake, without wolfram you could not have made your guns, without wolfram you could not have made your small arms of any sizes. It is a material which is mainly used for strengthening gun and rifle barrels and the world knows that Burma supplied it and supplied it at what cost? Duties such as we are discussing other duties, fiscal policy and tariff policy all these measures imposed against our wishes!! I do not know, Sir, whether I would be justified in saying that when the other House came to decide whether Tatas should be further helped or whether they should not, the House seriously considered the question of exchanging such a valuable province with a miserable old steel industry that have in India. When Honourable Members of this House realise that the fate of 12 lakhs of Indians, their own kith and kin, and nobody else, and probably thousands of Englishmen, honest, straightforward good Englishmen living on cordial terms with Indians and Burmans—on much better terms than what I have seen here—is jeopardised, or is doomed, simply because the House or the other House just for the sake of sentiment helps Tatas to exist as they will, I am sure, change their attitude. Now, such were my feelings when I spoke to the Honourable Members about starting my opposition and the same are my feelings now and I feel that if what I have said is appreciated and taken in the light in which I have said it, Honourable Members will make up their minds that instead of helping Tatas, they would rather let Tatas go to the devil. The sooner they collapse, the better for the ratepayers, the better for the Empire. In the circumstances, must I sit down in this House to watch the proceedings here, to hear all that Government have to say and other Honourable Members have to say, and not carry out the mandate the duties which have been imposed upon me as the representative of Burma and incidentally to help India too?

I may now conveniently refer to the Resolution itself and in doing so I would draw the attention of the Honourable Members of this House to the fact that right through his speech on this Resolution in the other House the Honourable Member for Commerce and Railways has laid stress on the desirability and importance of such a measure of protection as would at once enable Messrs. The Tata Iron and Steel Company, Ltd., to compete with foreign

manufacturers of corrugated iron sheets. The gist of his speech is crystallised in his concluding remarks and I commend to the perusal of the Honourable Members of this House Volume I, No. 11, page 355 of the Legislative Assembly Debates. Apart from a consideration whether Tatas deserve any sympathy from this or the other House—and apart from any other consideration for the matter of that—I feel, and so do, I am sure, some of the Honourable Members of this House that Government have inadvertently involved themselves on a matter of principle in that they have placated Tatas for their own ends. If the Honourable Member in charge of the Resolution decides upon repudiating my conclusions, he is quite free and at liberty to do so. I, at any rate, am still to be convinced that Tata's appeal in all essentials did seek protection for,—it does not matter what the figure is, I have got the figure at 3,50,000, you may have it at 1,19,000, but the principle involved is the same. It may be a matter of interest for the Honourable Members of this House to know that neither did Tatas in effect include in their request for protection of thinner gauges, namely, 28 and 30 gauges of corrugated iron sheets, which they do not manufacture, nor do they pretend manufacturing them. It may seem curious, but nevertheless, it is a fact that these gauges have also been included in the Resolution before the House.

I will now proceed to take the House into my confidence—if that is worth having—and refer Honourable Members to item 9 of the statement set out immediately below paragraph 15 on page 11 of the "Report of the Tariff Board on additional protection for galvanized sheets." A cursory glance at the two columns (first and second) will tell a tale worthy of Tatas and their organization. It will also tell a tale in regard to the limit of optimism and faith which in spite of adverse results the gentlemen of the Tariff Board appear to place on Tata's productive power. I would point out to Honourable Members that the anticipated average output of Tatas during the years 1927—1934 did and would never materialise. Comparing the actual output for the years following 1927-28, 1928-29 and 1929-30 one could see at a glance that the estimates—it does not matter when the Tariff Board made them—have never been fulfilled by Tatas, the firm which had been encouraged and which had been kept going at the expense of the tax-payer. In other words, none of their promises were carried out.

Now I come very nearly to a clinching point with the Honourable Mr. Woodhead, and I ask him to tell me, not in the usual non-committal governmental style but in clear terms, as to the meaning of taxing over 3,50,000 or 1,19,000 tons, whatever the figure be, against 27,000 tons—probably it is even less—of Tata's production. I am not sure whether he or his Chief are wranglers of Oxford or Cambridge University, but in spite of both of them being so I feel justified in saying that the proportion of Tata's output against imported material for the purpose of the tariff is at great variance. Unless he is treating the excess importation as contraband, he cannot justify his formula by any mathematical process that if Rs. 37 per ton is an equalising factor for 27,000 tons so it is for 3,50,000. I can conceive an inflated angle of vision on the right side within limits, but my Honourable friend seems to regard 3,27,000 times Rs. 37 as a mere trifle. The process which I have just enunciated appears to me to be the case as far as Government are concerned.

Now let me put my case before the Honourable Members of this House, and in doing so I will add that in addition to what I have already stated I repeat that we are being unnecessarily penalised by having to pay extra duty on thinner gauges which are essential for our every-day life in Burma for the rice trade and for building *ayats* and other charitable institutions; in short

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for all the poor people of the country. It appears to me that my province is made to suffer on the plea that whether Tatas produce our requirements or not we must bear the burden to keep up an all-India uniformity in respect of tariff protection. Now, Sir, I challenge the Honourable Member for Government to contradict my statement that whereas Tata's purpose could have been served by giving them a bounty of Rs. 10—11 lakhs, Government have wangled their Resolution through the other House by obtaining over a crore of rupees, or probably 60 or 80 lakhs, without any consideration for the poor consumers in this country or in Burma. The method employed by Government in bringing forward this Resolution and having seen it through in the other House can only be termed *mala fide*, if not absolutely dishonest. The duty of the Honourable Members of this House must be absolutely clear to them; but I think it is my duty to point out to them that the dignity of this House and the reputation of this House is entirely in the hands of the Honourable Members of this House.....

THE HONOURABLE SIR MANECKJI DADABHOY: Not with speeches of this character.

THE HONOURABLE MR. A. HAMID: Well, Sir, that is your opinion. I repeat again that the dignity of this House rests entirely in the hands of the Honourable Members of this House. Let it not be said of us that we had been a party to a wangle or a party to a proposition which, in all essentials, came from the back door. Let it not be said of us that we have kept up the traditions of this House by following methods which on the face of it appear somewhat dishonest; and, lastly, I appeal to the dignity of the Honourable Members and to the position they occupy in their private lives not to let themselves be persuaded to help a measure which they cannot conscientiously call a fair or a reasonable measure.

From what I have already said, Sir, it must be clear that I am dead against this Resolution, and I beg the Honourable Members of this House to believe me that whatever I have said has been said in good faith. It is not a matter of begging; it is a matter of saving your own people who cannot be saved by anybody else.

With these words, Sir, I propose that the Resolution be sent back to the Assembly with our thanks, or to the Government for further consideration.

THE HONOURABLE MR. E. MILLER (Bombay Chamber of Commerce): Sir, I rise to oppose the Resolution and in doing so wish to touch upon two points only. The first is in regard to the Tariff Board's Report. I have read this through carefully and to my mind it does not by any means prove convincingly that the further protection they recommend is either necessary or deserving. The Board themselves admit that in some respects owing to the limited time at their disposal, it was not possible for them to examine the question with that attention to detail that such an important matter required and it seems to me further investigations should have been made before the sanction of the Legislatures was sought. This could have been done between the time the Report was issued and now. I believe I am right when I say that there is a feeling in the minds of a very large number of Honourable Members of this House that the economies effected by Tatas during recent years have been very inadequate and there should be some indication as to what further economies they expect to make during the next two or three

years. Has any attempt been made for instance, to curtail their management expenses which I believe are very heavy? In these days of all-round retrenchment I think we should know what has been done in this and other directions.

Now, Sir, I come to my second point and that is, on the assumption that the Tariff Board's recommendations that protection is necessary are accepted, the method of applying them that is proposed by Government.

I should like to remind Honourable Members of the recommendation made by the Legislative Assembly to the Governor General in Council on the 16th February, 1923, in connection with the protection of steel and which I think should not be lost sight of. It was as follows :—

“That the principle (of protection) should be applied with discrimination, with due regard to the well being of the community.”

Bearing this in mind it seems clear that if after taking all facts into consideration the Government is satisfied that further protection *must* be given to Tatas, surely the form of protection granted should be such as to restrict the burden on the consumer to the minimum that is necessary. I believe I am right in saying that Tata's maximum output would only supply about one-fifth of the country's requirements and, this being so, the only justifiable method of assisting the Indian industry, bearing in mind the principle recommended by the Assembly in 1923, is by means of a bounty balanced if necessary by a proportionately increased duty on the imported quantities. Taking the maximum output of Tatas at say 30,000 tons the Honourable Mr. Woodhead's figure (although so far they have only reached about 20,000 tons in any one year), the total amount required to meet the additional protection is said to be in the neighbourhood of eleven lakhs of rupees. But what is proposed? An import duty of four or five times that figure! The Honourable Mr. Woodhead makes light of this but it is not the amount, but the principle that is important. Surely, Sir, there can be no justification for employing what has been described elsewhere as “back door methods” for obtaining ordinary revenue under the cloak of “protection”. The Tariff Board are concerned with protection only and have nothing to do with revenue duties, and this distinction should be most scrupulously maintained. If these 30 or 40 lakhs are required for revenue, and I do not wish to dispute here and now that they are not, then the correct procedure is clearly to include the amount in the Government's Budget demands. To adopt the procedure now proposed lays the Government open to a serious charge which would be a great reflection on their credit, and this would be most deplorable and take a lot of living down. I would very strongly urge the Government to withdraw this proposal and press them to devise some other and more straightforward means of raising the necessary revenue, if that is really essential.

Sir, on these grounds I oppose the Resolution.

THE HONOURABLE MR. SYED ABDUL HAFEEZ (East Bengal: Muhammadan): Sir, I also rise to oppose the Resolution just moved by the Honourable Mr. Woodhead. Although the Resolution which was originally moved in the other House has undergone some modification the sting is left there and I have to oppose it, I regret, on the following grounds :—

1. The Resolution asks us to agree to enhance the present duty from 30 to 67 a ton on imported galvanized iron and steel pipes and sheets imported from foreign countries and this has been proposed in the name of protection

[Mr. Syed Abdul Hafeez.]

to a national industry of India. Some of the greatest crimes of the world have been committed in the name of religion. Here in the name of protection Government is going to impose a tax which will come to a crore and a half for a year to be paid by the Indian consumer of galvanized iron and steel pipes and sheets. Tatas produce in a year only 25,000 tons of these articles, and to protect this small industry we have been asked to tax the consumers to the extent of a crore and a half of rupees. Why do you not give a bounty of ten lakhs of rupees which will enable Tatas to compete successfully with foreign imports? The proposal is simply preposterous. Since the passing of the Steel Industry (Protection) Bill Indians have paid to Tatas 10 to 12 crores of rupees and they have come again with a prayer for further enhancement of duty to protect them. There is an apprehension that this industry is going to pass into the hands of the Americans. If that comes to pass this enormous amount of aid given to the Tata Iron and Steel Company will be thrown away. We doubt whether we can call it a national industry.

2. Not a pice of this one and a half crores will go to the Tata Iron and Steel Company. It will go to meet the deficit Budget. Why does not the Finance Member come through the front door to obtain this amount instead of through the back door of the Commerce Department?

3. In Bengal galvanized iron and steel sheets are very largely used by the jute cultivators and traders to erect sheds to store jute to protect it from fire. Jute which used to fetch 15 to 20 rupees a maund in former years is now sold by the growers only at 3 to 5 rupees a maund. Is it proper and fair when the jute growers have been so hard hit to ask them to pay a higher price for these articles which they are obliged to use?

With these few words, Sir, I oppose the Resolution.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS (Punjab : Non-Muhammadan) : Sir, although I approve of the principle put forward by my Honourable friend Mr. Miller that the Government of India ought not to have taxed the Indian rate-payers by five times the amount that they required to give extra protection to the Tata steel industry, still I like to support the Resolution on the ground that the Government of India, under the powers given to them by the Legislatures, had to come into the field and give Tatas the protection as soon as possible. This protection started late in December, and in case the Government of India decided to come by the usual course, that protection could not have been given till April or even May next. I am sorry the Honourable Mr. Hamid has made violent attacks on the Tata Steel Company and has appealed for dignity in this House on matters like this. I am sorry to hear him say that if this Resolution is adopted it will give a fresh impetus to Burma to separate from India. I may say for his information that the advantages which accrue to Burma by its connection with India are immense, and I may inform him that in teak alone, which India imports to the extent of 2½ crores of rupees the yearly saving to Burma is about rupees 38 lakhs. On all the teak which is imported into India from countries other than Burma there is a 15 per cent. *ad valorem* duty from which Burma is free. I think the Honourable Mr. Hamid does not know that.

THE HONOURABLE MR. A. HAMID : India has no teak of its own and Burma is badly treated in respect of that too. It is you who would have grumbled if a tariff had been put on and not we, because then you could not have got it at the price you are paying.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : Well, Sir, I may inform my Honourable friend that the importation of teak from other countries like Siam has begun.....

THE HONOURABLE THE PRESIDENT : Perhaps the House had better come back to steel.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : Sir, as regards the extra duty on corrugated sheets, I think the loss to Burma will not amount to more than about five lakhs, which for the sake of a national industry ought to be borne, considering the services which the Tata Company has rendered during the war and also in view of the service it rendered to Burma in supplying tin sheets for petrol and oil tins. That ought not to be forgotten. Burma's advantages through a tariff by its connection with India have been many. I think in kerosene oil alone Burma benefits by more than 50 lakhs yearly, leaving aside petrol and petroleum products. So that when Burma is gaining practically crores of rupees through its connection with India she ought not to mind a loss of some five lakhs because of this extra duty being imposed under this Resolution. Another point is that India has played a great part in financing the industries and commerce of Burma. For these reasons I think the tone of the speech of my Honourable friend ought to have been better.

THE HONOURABLE MR. ABU ABDULLAH SAIYID HUSSAIN IMAM (Bihar and Orissa : Muhammadan) : In the short time at my disposal I cannot do more than simply touch on the points that I have got to urge in opposition to this Resolution. In the other place it has been stated that what was described by Mr. Lloyd George as the "Steel Frame" has a natural affinity with the steel manufacturers. That reminds me of another story of Lloyd George. When addressing a meeting in connection with Home Rule for Ireland he said that after giving Home Rule to Ireland he would give it to Scotland and then to his own Wales. On this a Conservative member of the audience said, "And why not to hell?" And Lloyd George replied that he liked to see everybody stand up for his own country. It seems that the Finance Department cannot live up to its reputation. In the Assembly and in this House it has been attacked because it was imposing a duty that will be in effect a revenue duty in the guise of a protective duty. But the statement made by the Honourable Mr. Woodhead on the floor of this House, which must be taken to be correct until the contrary is proved, shows that instead of making money they are going to lose it. I have calculated that in 1928-29 they received 97.57 lakhs from the duty on galvanized iron sheets, and now, according to his own figure of 140,000 tons, they will be getting 93.80 lakhs. That means that instead of making a profit of a crore and a half they are going to lose something. Well, it is sometimes difficult to live up to one's reputation and I find that is the case with the Finance Department. I do not oppose this Resolution for the sake of opposition only. We have all come in here to co-operate with the Government and we will be always ready to help the Government whenever it comes to us constitutionally. If this estimate of Mr. Woodhead's is correct, then the suspicion we had that it was in effect a revenue duty is practically removed. There then remains the question whether it is justified on the ground of protection alone. As to that, I desire with great tenacity to question the findings of the Tariff Board itself. Doctors describe by the letters T. B. a pernicious disease bacillus which is apt to attack human beings. I think the T.B. (Tariff Board) of the Government has attacked the whole Government and they (T. B.) are

[Mr. Abu Abdullah Saiyid Hussain Imam.]

going to dictate to the Government. That was pointed out in the *Statesman* long ago and was repudiated by the Government by the giving of bounties. What Mr. Woodhead said was that the Tariff Board had laid it down that in subsequent inquiries no details should be gone into and therefore Government and subsequent Tariff Boards could not proceed in any other way than leave the question altogether aside. They have stated half-truths which are more dangerous than absolute falsehoods. The portion of the Tariff Board's Report that is really concerned with the matter is contained in paragraphs 2 to 5. In those paragraphs they deal with the subject and make their recommendation for the imposition of additional taxation of Rs. 37. That is to say, they dispose of the whole subject in barely two pages. All the other things arising out of this are minor considerations, consideration of ways and means and how to impose it. Now in this paragraph 2 it is stated that Rs. 270 per ton is the fair basic selling price for galvanized sheeting and there is a reduction of Rs. 34 per ton on account of spelter. That leaves Rs. 234 as the average fair price for galvanized iron sheeting. They have not told us how this Rs. 270 is made up. According to legal practice and the Evidence Act, we can proceed to take the evidence as it is on the record. The evidence on the record I refer to is given on page 14. In the last item in August, 1926 the actual Works cost of galvanized iron sheet was given as 263, and then 270 was fixed as the fair selling price. That means that an addition of Rs. 9 to the actual cost would give the fair selling price.

THE HONOURABLE MR. J. A. WOODHEAD: Might I explain that the figure of Rs. 263 refers to the Works cost only and does not include overhead charges.

THE HONOURABLE MR. ABU ABDULLAH SAIYID HUSSAIN IMAM: The Works cost is Rs. 263 and the fair selling price Rs. 270. That means that you have got to make an addition of Rs. 9 to the working cost and get the fair selling price. That is one way of seeing it, which I do not suggest is the correct way. It was only for replying, tit for tat that I have brought in this method. I know the correct way. The other way is to look into the Tariff Board's estimate in column 2 in which they have stated that the working cost average is Rs. 232. It is in the 2nd column, page 14. The difference between Rs. 270 the fair selling price and Rs. 232 the Works cost, that is to say, Rs. 38, is the overhead charges, etc. As in paragraph 92 of the first report of the Tariff Board the overhead and the manufacturers' profits are stated to be Rs. 57·3 per ton for steel. The average Works cost *plus* Rs. 38 the overhead gives us the actual fair selling price. The working cost has now been reduced on account of many things working together, to Rs. 88·53 per ton. It is on the same page, page 14. The calculations of the Tariff Board have been made on the supposition that four tons of corrugated iron sheeting plus one of plain sheeting gives the average. That gives us Rs. 187·5 as the average working cost of galvanized iron sheeting. Add to it Rs. 38, overhead and other charges, and that gives us 225·5 as the average fair selling price. That has not been taken into consideration. What has been done is subtraction of Rs. 34 only from the fair selling price of former days and it has been stated that those prices should be stabilised. There was a very different condition prevailing then. Then you were imposing a duty of Rs. 30. Galvanized sheeting was imported at the rate of Rs. 240 a ton. That meant that you were imposing a duty of 12½ per cent. Now, you are going to impose a duty of Rs. 67 on a thing which costs Rs. 169 and therefore you are imposing a duty

of 40 per cent. An imposition of a duty of 12½ per cent. is quite different from imposing a duty of 40 per cent. And this is done in such a hurry without enquiry, and without going into the details. It means that there is somebody dictating terms to the Government of India and they are following suit. That is what the average man in the street will take this to be.

Now, Sir, I come to another point. Protection is a very good thing if it is done in the way of fostering any industry that in itself becomes self-supporting. Protection for a long term or a short term is not given just to enrich the shareholders of a certain company. The position of Tatas is unique. When you wish to interfere in its affairs, you are turned out of their doors and told that you are nobody; you are not a shareholder. They say, "You cannot interfere in our affairs. Why do you want to know anything about us? We will work as we like." But when it comes to helping them and financing them, we are told that it is a national industry, it must be supported in every way; you have got to do everything in your power to support it. He who pays the piper calls the tune. They are averse to this. The thing is quite contrary to all the dictates of what we used to hear. Those who pay to maintain them, those who have paid 11 crores in the way of bounty or protective duties, they have got no say in the matter. I wonder how people could have sanctioned it. The Government is not doing it now for the first time. It was done when the Nationalist ranks in the other place were full. That such a thing was allowed without getting any share of the control is surprising, when we were financing them to such a great extent. The figures I have taken were stated in the other place in the last debate—11 crores. I do not know how far they are correct or incorrect. But whatever they might be, they might be 8 crores or 5 crores, it does not matter. The question is we are going to support an industry in every way and we have got no control. I wish to oppose it on this ground on the principle enunciated in the English constitution of redress before supply. Before we give anything more, we must have a definite share of control. Everywhere reduction in expenses in Government departments is urged, but there is nothing to control this company which has squandered its money, especially at such a time as this. Not only are we, i.e., the House, disregarded, but I think the Government is being disregarded by Tatas and their advice is not listened to with the same weight as it ought to be listened to, considering the enormous amount of money which has been given.

I will tell you one word more about Tatas and finish. What is the position of Tatas. I am not going to make any armchair criticism. I will give you the opinion of hard-headed financiers who make their living upon these affairs. I am referring to the quotations of the stock exchange, which is the best criterion to judge the prosperity of a commercial concern. Tatas ordinary shares are being quoted on the stock exchange at 35 per cent. of their face value, the First Preference Shares at 79 per cent. of their face value and the Second Preference Shares at 48½ per cent. of their face value. That is the view of the good financiers of the country. As was pointed out by the Honourable Member from Bombay I was giving rather old figures; the quotations are still lower now. That is the condition of the industry to which you have devoted 8 crores or 12 crores; the whole capital of it is 14.47 crores, out of which I have not been able to find out the exchange quotation for the debentures of 4 crores which were issued outside India; so that 10 crores at the market quotation now are worth 4.92 crores. That is the greatest condemnation of Tata's management that could possibly be made. There is something that is causing this colossal commercial combine to crumble to the dust; that must be stopped. If you are going to save the national

[Mr. Abu Abdulla Saiyid Hussain Imam.]

industry, it is necessary that you should exercise discretion. It is at such a time as this that you have got to dictate terms which seem on the face of them to be rather stringent but which are necessary. We should come out with a bold policy and dictate to Tatas that if they want to have protection and help from us they have got to give some controlling interest to the Government of India so that their affairs might be looked into properly.

On these grounds, Sir, I oppose the Resolution of the Honourable Mr. Woodhead.

THE HONOURABLE SIR MANECKJI DADABHOY (Central Provinces : Nominated Non-Official) : Sir, in rising to support this Resolution, I want this Council at the outset to know that I am not a bit

1 P.M.

financially interested in Tata's steel industry. I do not own a single share in that concern, nor have I even held a single share in the past in that concern, and the observations which I propose to make this morning are entirely of a disinterested character and purely in the interests of this country. I am very sorry to find that in the course of the debate this morning many irrelevant matters which have nothing whatsoever to do with the issue before this Council have been introduced by some of the speakers. As regards the acrimony with which the Burma Member spoke this morning I can only state that Burma has not forgiven us throughout the time since protection was given in 1924 and Burma is not likely to forgive us in the future. But it is a very sad thing to reflect that in considering a measure of this sort Mr. Hamid should have introduced matters which were not only irrelevant but which were certainly of a most objectionable character. In the first instance, Mr. Hamid laid a serious charge against Tata's Works for having broken faith with its shareholders, and the reasons which he gave for that explanation are entirely unfounded. What was his statement? His statement was that because the Tatas when they issued the prospectus spoke highly of the concern and its future financial results, Tatas have broken faith with their shareholders. Everybody thought at the time when the steel works were about to be first constructed in this country that it was a great industry which was being introduced, and if the Tatas took a more favourable view of the situation that does not mean breach of faith with the shareholders.....

THE HONOURABLE MR. A. HAMID : It meant blowing hot air.

THE HONOURABLE SIR MANECKJI DADABHOYsecondly my friend has stated that they bought useless machinery and they engaged the services of a highly paid man. If India had not competent men to take charge of those works and if they had to get men from foreign countries naturally they had to pay the price for such men. The Tatas got the best man and paid him Rs. 25,000 a month. It is not certainly a very large sum. My friend forgets that good lawyers in this country leading lawyers in this country, have in the past made incomes of Rs. 30,000 to Rs. 40,000 a month. The most sorry and absolutely indefensible remark was regarding a gentleman who is highly respected. I know he has not mentioned the name. I know that Honourable Members know the name of that gentleman; I do not want to mention the name. He said that that gentleman has been recently taken in the service of the Company on a salary of Rs. 6,000 a month. My friend said that that gentleman was mentally exhausted. What justification has he for making such a serious allegation? He would not dare to make such a

statement outside this Council because he would be courting trouble and because he is protected in this Council he takes advantage of his privilege in making such a statement.

THE HONOURABLE MR. A. HAMID : May I know what part of my speech you refer to ?

THE HONOURABLE SIR MANECKJI DADABHOY : I have already referred to it. Sir, as regards the main issue before us, some Honourable Members have argued to-day as if the Government has come to this Council and asked for protection for the first time for Tata's Steel Works. The debate has proceeded on the assumption that we are going to discuss to-day whether protection should be given to Tatas. The whole question, the whole issue, has been misunderstood in this Council. There is no such question before this Council. That question—whether protection should be given—was decided as far back as 1924.

THE HONOURABLE MR. ABU ABDULLAH SAIYID HUSSAIN IMAM : Is that binding on this House now ?

THE HONOURABLE SIR MANECKJI DADABHOY : I am coming to that presently. The Act was passed in 1924 and subsequently another Act was passed in 1927 confirming and increasing the protection which was given with certain expanded powers to the executive. It is not perhaps in the recollection of Honourable Members of this Council that at the time when the Act of 1927 was passed, full liberty and full discretion was given by clauses 3, 4 and 5 of that Act to the executive in time of emergency, when the price of steel fell below a certain limit, to exercise their own judgment and without coming back to the Legislature. Till the expiry of the Act, *i.e.*, March, 1934, the executive was fully empowered to deal with the question of protection. Though the executive came to the Assembly and to this Council and introduced this Resolution now, they were under no such obligation or duty to approach the Legislature. The executive under the Act of 1927 could have given protection to the extent they thought proper without reference to the Assembly or to this House. And the mere fact that they have come before both the Houses is an indication of the desire of Government that the Legislature should be kept informed of what is going on and that they should not be open to a charge of having done anything behind the back of this Council. So the situation to my mind is perfectly clear. The Government have come before you not for the first time asking you to give sanction to protection ; they have come to inform you that the protection has been given from the 30th of December last in pursuance of a Bill passed by the Legislature, and they have also in deference to the wishes of certain Members of the Assembly undertaken the obligation to enquire into the question of protection and to see if, after the 31st of March, 1932, a system of bounty could not be substituted for a system of protective import duties. That is the position of Government which has not been correctly understood by some of the Honourable Members.

Now, Sir, the Government has been criticised. It is said that by not adopting the less oppressive system of bounty the Government is putting a burden on the consumer ; they ought to have realised the colossal amount of money which is likely to be realised by the imposition of a protective duty. That is the attitude taken. I say that that question is no longer open to discussion. The Tariff Board was perfectly correct in assuming that the

[Sir Maneckji Dadabhoy.]

Legislature was committed definitely till the end of 1934 to a system of protective import duties, and when the question went before the Tariff Board whether protection should be given in the shape of import duties or bounties, naturally the Tariff Board came to the conclusion that the Assembly and this Council had sanctioned the imposition of duties and the only question for them was to decide what amount of further protection should be given in the form of protective duties. The Tariff Board have further explained the situation regarding the substitution of bounties for protective import duties. That subject has been dealt with, with much clearness and skill by my Honourable friend Mr. Woodhead, and I do not propose therefore to go into any details in that matter. All I wish to point out, and I am prepared to confess myself, that if I had the choice in a matter like this I would certainly go in for a system of bounty in preference to a protective import duty. There are no two opinions on the subject as to which would be a less burden on the consumer. Certainly a system of bounties would throw a considerably less burden on the consumer, and if the question was to be discussed for the first time, I would go in for it. In fact when the Tata Steel (Protection) Bill came before this Council for discussion in 1927 I myself pressed vehemently for the substitution of bounties in place of protective duties. But because we prefer one form of protection to another, that is no reason for condemning one system altogether. As I have pointed out, there was justification both for Government and for the Tariff Board in recommending the continuance of protective duties in preference to bounties. I have heard Mr. Miller and other Honourable Members this morning stating that Government have no right whatsoever to recover more than the actual protection they are giving to the Tatas. I had the privilege of being a member of the Fiscal Commission, and I may tell the Honourable Members for their information that the Fiscal Commission never laid down such a proposition. The Fiscal Commission in sanctioning discriminating protection only laid down certain rules but never made the condition that when protection was to be given to a certain industry Government should not raise any more revenue than what was actually required for giving the protection. Such a principle would be unworkable. You would not in practice be able to enforce such a principle for the simple reason that if you impose import duties, the yield will depend on the conditions of the times, it will depend on trade, it will depend on financial fluctuations, it will depend on favourable markets, it will depend on a hundred and one things, and Government will never be able to give an undertaking that they will not collect anything more than all that was necessary. I am simply surprised to hear to-day that Government are committing a big sin, they are committing a grievous wrong in realising 50 lakhs of rupees instead of 11 lakhs which is required to pay Tatas. I welcome this extra 40 lakhs in these times of adversity. I welcome this windfall. The Government, I say, have done the right thing. It is not going to be an excessive burden on the consumer. We all know what sort of Budget is going to face us next Saturday. We all realise that. Some Members have called the present action of Government an act of wickedness. Some Members have said that Government are collecting money dishonestly, as my Honourable friend over there said, or by the back door. I do not consider this action as coming by the back door. The Honourable Sir George Rainy made it perfectly clear in the other House when he moved the Resolution that Government were influenced in sanctioning this recommendation of the Tariff Board by the financial position of the time, and I say that Government have done nothing wrong, and there is nothing reprehensible in the policy of the Government in this matter. The only issue before this

House is whether we should now continue the protection till the 31st March, 1932. In the other House the original Resolution was that these protective duties should be continued up to 1934. That Resolution was modified at the request of the non-official Members and Government, rightly and fairly, in deference to the wishes of the non-official Members, agreed to substitute for "1934" "till the end of March, 1932". Twelve months is not going to make such a serious difference. Government are not going to get such an excessive amount of revenue, as some of the Members think, with the fall in trade, with depressed economic conditions, with everything going backwards. The Honourable Mr. Woodhead has also explained very clearly to-day that the next 12 months are not very hopeful in the matter of imports as some of the Honourable Members think. I therefore trust.....

THE HONOURABLE THE PRESIDENT : The Honourable Member has exhausted his time.

THE HONOURABLE SIR MANECKJI DADABHOY : I am finishing, Sir. I therefore trust that this Council will take all these things into consideration and give their support to this Resolution. In considering this question I would only remind you of what a great industrialist once said, "Nurse the baby, protect the child, and free the adult".

THE HONOURABLE MR. K. B. HARPER (Burma Chamber of Commerce) : Sir, I wish to say very little. I am not prepared to say that I am opposed to any necessary protection for the manufacturer of galvanized sheets in India. But what I do take exception to in this case is the form in which the protection is to be extended after the 31st March of this year. In that connection, I want to quote the proposal that was made to Government in another place. If I may read from the speech of the representative of the Associated Chamber of Commerce, the only European representative for commerce in the other House—I am reading from the Official Report of the Legislative Assembly Debates for the 28th January, 1931—this is what he put to the Government :

"I would like to urge the Government to withdraw this Resolution and to introduce it in a different form, to ask the Legislature to give them sanction to pay a bounty the money to pay which they will secure from a much smaller import duty than they at present propose."

That, Sir, was an invitation to Government which was repeated and supported by speakers from all parties in the House. I have read through the debate in the other House and one might conclude that that did represent the views of a very large number of Members of that House. What was the Honourable the Commerce Member's reply? He claimed to have been deeply impressed by the desire of the House to impose the smallest possible burden on the consumer, and then proceeded to impose not the smallest burden but the maximum rate of burden the Resolution would allow, for one year instead of three years. I can almost believe, that as he rose to make that offer he must have had in his mind the famous prayer of St. Augustine, "God, make me pure, but not yet". He accompanied his reply with an offer to inquire into the possibility of substituting bounties for the present import duties. We have heard this morning quite frankly from the Honourable the Mover that Government have no intention whatever of introducing bounties even if they find them to be practicable, before the completion of the coming financial year. I question whether that position was fully realised by the Members in the other House, and whether, if it had been, they would have been quite so ready to let the Resolution go through in the form in which it has come up here to-day.

[Mr. K. B. Harper.]

Then, Sir, there has been a good deal of discussion about the actual amount of duty involved by this Resolution. The Honourable the Mover tells us that previous estimates have been largely exaggerated and that the actual burden will be nothing very serious. Sir, there is a story of a fat man and a thin man who were going to fight a duel, and as they were standing ready at 15 paces it occurred to the fat man that he was a much bigger target than the thin man, and he did not think that fair. So the seconds put their heads together and they came to a decision. They stood the thin man in front of the fat man and with a piece of chalk they marked the outline of the thin man on the fat man's body. "There!" they said, "now, any shots outside that chalk line will not count". Well, Sir, I see in my imagination just such a duel being fought by the Honourable the Commerce Secretary and the Honourable the Commerce Member, and in my vision the first to protest most vigorously against such a suggestion is the Honourable the Mover. It is just because those hits do count that I have no alternative but to oppose the Resolution. Coming from Burma it could hardly be expected that I should welcome any form of steel duty. I need not add to what has been said about a matter of general agreement, that Burma gets no benefit whatever from the share she pays towards the protection of the steel industry in India. The case is bad enough when we are asked for just enough money to protect that industry. But when we are asked for many times the sum that is necessary for that purpose it is hardly surprising that from the Burma point of view the position becomes intensely aggravated. Then there is what I consider to be the more important issue, and that is the moral issue, to which my Honourable friend Mr. Miller referred. I do not deny and do not suggest for a moment that Government do not need this money, and I do not grudge them any revenue they need for their lawful purposes. On Saturday after we have heard the usual brilliant speech of the Honourable the Finance Secretary, I am quite prepared to believe that we shall have to give Government even more than our usual sympathy in the difficult year they have to face, but I am one of those who do hold that when Government want revenue they should come to the House and ask for it at the proper time and in the proper manner. That is all I have to say.

THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD (United Provinces Northern : Non-Muhammadan) : Sir, I have listened very carefully to the speeches of those Honourable Members who have opposed this Resolution, but, in spite of the arguments advanced by them I am inclined to support the proposition before the House ; and I will make my reasons for supporting the Resolution clear to the House presently. Firstly, Sir, the iron and steel industry of India is a national industry and, as such, it deserves to be protected by this House. None of the Honourable Members who have opposed this Resolution has denied the fact that it is a national industry, and every national Government would protect its national industries for as long as they are not able to stand on their own legs and to hold their own against foreign competition. When a measure like this emanates from our present Government, which we call a foreign Government, I think we should welcome it. The only important point which has been urged by those who have opposed the Resolution is that the Tata Company are very extravagant in their management expenses and therefore they do not deserve support. To that, Sir, I will reply at the close of my speech. The second reason which prompts me to support this Resolution is that the Central Legislature was committed to this policy, as my Honourable friend Sir Maneckji Dadabhoy has said as far back as 1924 and 1927 ; and when the Government brought

forward the Steel Industry (Protection) Bill before the Central Legislature in 1927 the hope was expressed that by March, 1934 the industry would be able to dispense with protection and would be left to stand alone. Therefore it is only reasonable that we should wait till the period of protection stipulated by the Act of 1927 is over. Then, Sir, the Legislative Assembly as recently as January the 28th, 1931, has passed a Resolution identical in terms with the proposition before us to-day. And although this Honourable House has every right to modify or reverse any decision taken by the other House, I must submit that we should do so only after a very careful examination of the facts, because after all, by reason of its constitution, the Legislative Assembly is the popular House and generally goes into the pros and cons of a measure thoroughly before arriving at a decision. Apart from this, there is the recommendation of the Tariff Board before us in favour of this proposition, and the Tariff Board being an expert body their opinion is entitled to be respected by us. Thirdly, Sir, there is the question that if we reject this proposition how are we going to meet the expected deficit in our Budget? Some Honourable Members who have opposed the Resolution have said that the Government should not seek to raise revenue by the back door in this way. I may agree with that idea, but none of the Honourable Members, so far as I remember, has suggested as to how they would meet the deficit in the Budget which would be caused by the rejection of this Resolution. Honourable Members may say that the Government should come before the House with some other means of balancing their Budget. But we should consider carefully whether it would be advisable to devise other means of balancing our Budget in the shape of fresh taxation in an abnormal year like this. It may be that the new taxation to be proposed may hit the tax-payer more harshly than the levy of the import duty which is being attacked. I think it to be more advisable that we should examine the whole question next year when we may have a normal year, and up to that time only the Government are seeking to extend the period of protection in the terms of this Resolution.

Now, Sir, I come to that important point which has been urged by Honourable Members in opposing this Resolution, namely, that the Tatas are extravagant and they do not care to economise and retrench in expenditure. As to that, I would say that the duty of the Government of India should not be over with only affording protection to the Tatas. I think it is as well their duty to see that the Tatas effect every possible economy and retrenchment in their management expenses and run the industry on national lines.

Sir, before resuming my seat, I must refer to one remark to which I take exception. The Honourable Sir Maneckji Dadabhoy said that the Government were not bound to bring forward this Resolution before the Council and if they have done so by way of information, we should not criticise or attack them. I think the import of this observation may be that this House is not entitled to say anything against a Resolution which the Government are not legally bound to bring forward. In this connection I would submit that when the Government have brought forward a Resolution before the House, this House is perfectly within its rights to have its full say in the matter and to modify or even to reject the Resolution. However, this is only by the way; it is only for the sake of taking exception to that observation that I have brought this point. Otherwise, I am entirely in agreement with those who have supported this Resolution and I therefore give my support to it.

THE HONOURABLE MR. J. A. WOODHEAD: Sir, I will not detain the House very long in replying. The first point with which I wish to deal is the remark made by the Honourable Mr. Hamid in which he alleged that the

[Mr. J. A. Woodhead.]

intentions of Government were *mala fide* and even went so far as to say they were dishonest. Sir, I take strong exception to those remarks and I deny that the intentions of Government have been in any way *mala fide* or dishonest. From the very beginning Government made their position perfectly clear. In their Resolution on the Tariff Board's Report in which Government announced their acceptance of the recommendations of the Board they said that although they were satisfied that the arguments against a bounty were not so strong as the Tariff Board seemed to think, they had had to examine the question in view of existing financial conditions and had come to the conclusion that these conditions precluded proceeding by way of a bounty. Again, Sir, in another place, the Honourable the Commerce Member made it perfectly clear that financial considerations had considerable weight with Government in arriving at their decision, and I made no secret of it in moving my Resolution to-day. I hope the House will agree with me that there is no reason whatsoever for the suggestion that the intentions of Government have been of a *mala fide* character or that Government have adopted in any way a dishonest attitude in this matter. The Honourable Mr. Hamid also said that the Tata Iron and Steel Company did not apply for protection of thinner gauges of galvanized sheets than 24. I can assure the House that their application for protection made no reference to any gauge whatsoever. There is an obvious reason for that and it is this, the present duty applies to all gauges and does not differentiate between one gauge and another. The Honourable Mr. Harper supported his remarks by reference to what had been said by a representative of commercial interests in another place. The statement he quoted was to the effect that the speaker hoped the Resolution would be withdrawn and revised so as to recommend the application of a bounty. Mr. Harper went on to say that the Honourable Sir George Rainy in reply made the suggestion that the duty should be imposed for a year and that during the course of that year inquiries should be made whether a bounty might be substituted in whole or in part for the additional duty, and he—Mr. Harper—thought that the Honourable Sir George Rainy in making that suggestion must have had in mind the phrase "God make me pure, but not yet". May I say, Sir, that that remark might also be equally applied to all Honourable Members of the Assembly who accepted the Honourable Sir George Rainy's suggestion. Honourable Members will remember that the suggestion made by the Honourable the Commerce Member was accepted unanimously in another place and it is for this reason, Sir, that I suggest that the remark made by the Honourable Mr. Harper if applicable to one Member of that House is equally applicable to all who accepted the suggestion as a satisfactory method of dealing with this question of bounty *vs.* duty. It has been suggested that a fuller investigation into costs should have been made by the Tariff Board. I dealt with that point when I moved the Resolution and I have very little to add. I would again stress the point that these supplementary enquiries must be made at short notice and must be conducted in the quickest possible manner. It is essential that if you wish to protect a company from the effects of a fall in prices, that protection should be given as expeditiously as possible. Delay in such cases is likely to have a very serious effect upon the company engaged in the trade. Attacks have also been made upon Tatas. Sir, I do not wish to enter on a defence of the Steel Company, but the point which I would put to the House is this, before you are asked to come to a decision is it not right that you should have before you facts and figures in support of what is alleged? Statements have been made this morning that Tatas have not carried out the economies that they should have done and that the management is not efficient. But those statements have been of a most general character and have not been

supported by statements of fact. On the other hand, might I refer Honourable Members to that portion of the Tariff Board's Report which deals with this particular question? That is from pages 11 to the end of the Report. The Tariff Board examined the general working of the protective scheme and the prospects of the Steel Company in the future and the conclusions they came to which are contained in paragraph 24 of the Report are these :

"We would sum up four conclusions as follows. The Tata Iron and Steel Company have made genuine efforts to secure the results which the Tariff Board considered feasible. Lack of progress is due to two causes, for neither of which can the Company be held responsible. The first is the labour strike of 1928 which, by adversely affecting the financial position, has seriously retarded the development programme, on which the future reduction in the cost of manufacture was so largely dependent. The second is the reduction in orders for steel rails."

That, Sir, is the conclusion the Tariff Board arrived at after an enquiry at Jamshedpur and I would suggest that their conclusions are entitled to considerable weight, especially when they are supported as they are by facts and figures.

Sir, I have only one word more, and that is as regards the suggestion that Government are realising revenue by the back door. I deny, Sir, that the back-door method has been employed. The Tariff Board recommended that there should be this additional duty and Government accepted their recommendation. Protective duties usually do produce, and have in the past produced, a very considerable amount of revenue. In fact, the Rs. 30 duty on galvanised sheet imposed in 1927 produced on the imports of that time somewhere near Rs. 1 crore. Protective duties usually do produce revenue and I think, Sir, it is not quite right to say that the Government have adopted a back-door method of getting revenue.

THE HONOURABLE THE PRESIDENT : The question is :

"That the following Resolution be adopted, namely :—

'That this Council recommends to the Governor General in Council that the increased import duties imposed by Notification No. 260-T. (127)-Tariffs, dated the 30th December, 1930, in exercise of the powers conferred by section 3 (4) of the Indian Tariff Act, 1894, on galvanized iron and steel pipes and sheets for the period 30th December, 1930 to 31st March, 1931, be continued up to the 31st March, 1932, and that before that date Government should make enquiries in order to ascertain whether a system of bounties might not be substituted wholly or in part for the increased duty'."

The motion was adopted.

ELECTION OF SIX NON-OFFICIAL MEMBERS TO THE CENTRAL ADVISORY COUNCIL FOR RAILWAYS.

THE HONOURABLE THE PRESIDENT : The Council will now proceed to elect six non-official Members to serve on the Central Advisory Council for Railways. I have already indicated the method of election, but I would again advise those Honourable Members to whom the form of election is new to read the instructions at the bottom of the ballot paper. In the last election held by this method two or three votes were spoiled because the instructions had not been obeyed.

(The ballot was then taken.)

THE HONOURABLE THE PRESIDENT : It might interest Honourable Members to know that copies of the Second Volume, that is the Second White Paper relating to the proceedings of the Indian Round Table Conference, are available in the Notice Office from where they will be able to obtain copies at once.

The Council then adjourned till Five of the Clock on Saturday, the 28th February, 1931.



COUNCIL OF STATE.

Saturday, 28th February, 1931.

The Council met in the Council Chamber of the Council House at Five of the Clock, the Honourable the President in the Chair.

QUESTIONS AND ANSWERS.

NUMBER OF MEDICAL OFFICERS ON STATE-MANAGED RAILWAYS.

59. THE HONOURABLE MR. G. A. NATESAN (on behalf of the Honourable Mr. Satyendra Chandra Ghose Moulik) : Will Government be pleased to state the number of medical officers on the different State-managed Railways ?

- (a) How many of them are Indians ?
 - (1) The number of Muhammadans.
 - (2) The number of Hindus.
- (b) How many of them are Anglo-Indians ?
- (c) How many of them are Europeans ?

THE HONOURABLE MR. J. A. WOODHEAD : The number of medical officers on State-managed Railways at present is 46. There are 24 Indians and the composition by communities is as follows :

Muslims	3
Hindus	16
Anglo-Indians	2
Other classes of Indians	3
Europeans	22

CRITERION FOR SELECTION FOR THE POST OF CHIEF MEDICAL OFFICERS OF STATE RAILWAYS.

60. THE HONOURABLE MR. G. A. NATESAN (on behalf of the Honourable Mr. Satyendra Chandra Ghose Moulik) : Will Government be pleased to state (a) the criterion for selection for the post of Chief Medical Officers of State Railways ?

- (b) Whether the post is open to Indians ?
- (c) If the answer to (b) be in the affirmative, the number of Indians holding these posts ?
- (d) Whether Government is contemplating Indianising the railway medical service soon ?

THE HONOURABLE MR. J. A. WOODHEAD : (a) The prescribed rule on State-managed Railways is that the posts of Chief Medical Officers shall

be filled by selection and that in making such selection the claims of senior officers of all the State-managed Railways shall be considered, provided that in case of a short vacancy the choice shall ordinarily be confined to the railway in which the vacancy exists.

(b) Yes ; there is no racial or communal discrimination.

(c) At the present moment out of five posts of Chief Medical Officers, one is held by an Indian.

(d) The policy of Indianisation has already been applied, and will continue to be applied, in recruitment to the superior Medical Branch of the State-managed Railways.

INDIANS AT SANDHURST, ETC.

61. THE HONOURABLE MR. G. A. NATESAN (on behalf of the Honourable Mr. Satyendra Chandra Ghose Moulik) : Will Government be pleased to state (a) the number of Indians who have secured admission to the Military College at Sandhurst from the time it was thrown open to Indians up till 1930 ?

(b) The number of Indians who have passed out of the Military College at Sandhurst ?

(c) How many of these are Hindus and how many Muhammadans ?

(d) The number of Bengalees who have passed out of the College ?

THE HONOURABLE SIR BROJENDRA MITTER (on behalf of His Excellency the Commander-in-Chief) : With your permission, Sir, I will answer this and the following question on behalf of His Excellency the Commander-in-Chief, who regrets that he is not able to be present here as he has to be in Jhansi to-day where he is presenting Colours to a battalion.

(a) 133 Indians entered Sandhurst before the end of 1930. 22 will be entering this year as the result of examination or nomination in 1930.

(b) 79 Indians were commissioned from Sandhurst up to the end of 1930.

(c) 30 Hindus and 30 Muslims.

(d) 2.

RECRUITMENT TO THE INDIAN TERRITORIAL FORCE, ETC.

62. THE HONOURABLE MR. G. A. NATESAN (on behalf of the Honourable Mr. Satyendra Chandra Ghose Moulik) : Will Government be pleased to state (1) whether Government is entirely satisfied with the recruitment to the Indian Territorial Force units in the various provinces ?

(2) The number of persons who have been given senior commissions in the Indian Territorial Force in accordance with the Shea Committee's report.

(3) Whether there has been a demand for the formation of an urban unit in Bengal ?

(4) Whether Government intend to raise an urban unit in Bengal ?

THE HONOURABLE SIR BROJENDRA MITTER (on behalf of His Excellency the Commander-in-Chief) : (1) In the provincial units recruitment has been satisfactory on the whole, but four units are considerably under the sanctioned strength of 725 men.

In the University Training Corps, recruitment is satisfactory in all but three units.

Among the urban units, recruitment to the latest formed battalion, namely, the 4th (United Provinces) Urban Infantry, is proceeding satisfactorily. In the other three urban units, recruitment is, I am afraid, decidedly unsatisfactory.

(2) 130.

(3) Yes.

(4) Government have given much consideration to this question ; but the Honourable Member will realise that financial stringency, coupled with the comparative failure of the three Presidency urban units already in existence, makes Government hesitate before committing themselves to another unit of this kind.

EXPENDITURE ON THE INAUGURATION OF NEW DELHI.

63. THE HONOURABLE MR. G. A. NATESAN (on behalf of the Honourable Mr. Satyendra Chandra Ghosh Moulik) : Will Government be pleased to state the amount spent on the inauguration of New Delhi and for the different functions thereat separately ?

THE HONOURABLE SIR JOSEPH BHOORE : I regret that the information is not yet available, as the accounts have not been closed. I may, however, say that the estimated expenditure is Rs. 2,62,000 and there are likely to be some savings on this estimate.

IMPORT OF LIGHTER GAUGES OF GALVANIZED CORRUGATED SHEETS INTO BURMA.

64. THE HONOURABLE MR. A. HAMID : (a) Will Government be pleased to state the total quantity of the lighter gauges (28" and 30") of galvanized corrugated sheets imported into Burma during 1928, 1929 and 1930 ?

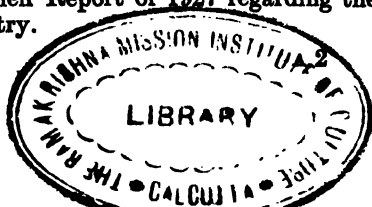
(b) Are lighter gauge (28" and 30") corrugated sheets essentially necessary to the rice trade and for building *zayats* and other religious and charitable edifices in Burma ?

(c) Has Government's attention been drawn to the fact that the Tariff Board recommends the increase of duties on the lighter gauges (28" and 30") of galvanized corrugated sheets ?

THE HONOURABLE MR. J. A. WOODHEAD : (a) The information is not in the possession of Government.

(b) Government have no information.

(c) The Government are aware that the Board's recommendations applied to galvanized sheets of all sizes. In this connection I would refer the Honourable Member to paragraph 112 of their Report of 1927 regarding the continuance of protection to the steel industry.



SHARES OF THE TATA IRON AND STEEL COMPANY, LIMITED, HELD BY MESSRS. TATA AND SONS.

65. **THE HONOURABLE MR. A. HAMID :** Will Government kindly ascertain and lay on the table the total number of Messrs. The Tata Iron and Steel Company shares of all denominations :

- (a) purchased by Messrs. Tata and Sons at the time of the formation of the Steel Company or subsequently ;
- (b) allotted to or acquired by Messrs. Tata and Sons otherwise than by purchase ;
- (c) the total number of such shares now held by Messrs. Tata and Sons ?

THE HONOURABLE MR. J. A. WOODHEAD : The attention of the Honourable Member is invited to the provisions of sections 32, 34, 36 and 248 (5) of the Indian Companies Act, 1913. He will see that he can himself obtain the information by applying to the registered office of the Tata Iron and Steel Company or to the office of the Registrar, Joint Stock Companies, Bombay. I shall, however, take steps to obtain the information if the Honourable Member still desires it.

THE HONOURABLE MR. A. HAMID : Yes, Sir.

TOTAL AMOUNT OF MONEY RECEIVED BY WAY OF COMMISSION, ETC., BY MESSRS. TATA AND SONS FROM THE TATA IRON AND STEEL COMPANY, LIMITED.

66. **THE HONOURABLE MR. A. HAMID :** Will Government be pleased to place on the table statements showing the total amount of money received by Messrs. Tata and Sons from Messrs. The Tata Iron and Steel Company, Limited, by way of :

- (a) dividends on shares,
- (b) commission on sales and purchase of material,
- (c) remuneration as Managing Agents, and
- (d) interest on overdrafts ?

THE HONOURABLE MR. J. A. WOODHEAD : The Government are unable to furnish the information.

SUPERVISION AND CHECK BY GOVERNMENT ON THE INTERNAL AFFAIRS OF THE TATA IRON AND STEEL COMPANY, LIMITED.

67. **THE HONOURABLE MR. A. HAMID :** Will Government be pleased to state what steps :

- (a) it took to verify the statements contained in the prospectus of Messrs. The Tata Iron and Steel Company before accepting the recommendations of the Tariff Board ;
- (b) it contemplates taking to safeguard the interest of the public by way of supervision and check on the internal affairs of the industry ?

THE HONOURABLE MR. J. A. WOODHEAD : (a) and (b). None, Sir.

CONSTRUCTION OF QUARTERS FOR THE STAFF OF THE POST OFFICE AT JHARIA, MOTIHARI, DALTONGANJ, PATNA AND JAMSHEDPUR.

68. THE HONOURABLE RAJA RAGHUNANDAN PRASAD SINGH :

(a) Will Government be pleased to state whether the Postmaster General, Bihar and Orissa, has recommended the construction of quarters for the Post Office staff at Jharia, Motihari, Daltonganj, Patna and Jamshedpur ?

(b) If the reply to the above be in the affirmative, will Government be pleased to state what is delaying construction of the quarters, and when the work is likely to be taken up ?

THE HONOURABLE SIR JOSEPH BHOORE : (a) Yes.

(b) Want of funds. Some quarters have already been constructed and others can be built only when funds permit.

QUARTERS AT PATNA FOR THE STAFF OF THE POST OFFICE.

69. THE HONOURABLE RAJA RAGHUNANDAN PRASAD SINGH

(a) Were certain sets of quarters built for the staff of the Post Office at Patna and the clerks of the Postmaster General, Bihar and Orissa, and allotted to those officials who required them without distinction of rank or post ?

(b) Were the Investigating Inspector of the Postmaster General, Bihar and Orissa, the Inspector of Post Offices, Patna, the Inspector of Post Offices, Patna Town, the Telegraph Inspector, the Telephone Inspector and other postal officials provided with such quarters ?

(c) Are most of them still occupying the same ?

THE HONOURABLE SIR JOSEPH BHOORE : (a) Yes.

(b) Yes.

(c) Out of the officials mentioned under (b) only the Investigating Inspector of the Postmaster General's Office is still in occupation of such quarters.

QUARTERS AT PATNA FOR THE STAFF OF THE POST OFFICE.

70. THE HONOURABLE RAJA RAGHUNANDAN PRASAD SINGH :

(a) Will Government be pleased to state the number of clerks of the Postmaster General, Bihar and Orissa, at the time when the Government quarters were built at Patna and also their present strength and the number of quarters allotted to the clerks of the Postmaster General when the quarters were built and the number of quarters allotted to them at present ?

(b) Will Government be pleased to state if any additional quarters have been built for the clerks of the Post Office and the Postmaster General's office at Patna in consequence of the increase in their strength ?

THE HONOURABLE SIR JOSEPH BHOORE : (a) The number of clerks in the office of the Postmaster General, Bihar and Orissa, at the time when the Government quarters were built at Patna was 44 ; the number at present is 80. The Government have no information as to precisely how many quarters were allotted to the clerks in the office of the Postmaster General when the quarters were built. 40 quarters are now occupied by the clerks.

(b) No.

WORKING HOURS OF THE HEAD OFFICE AT MOTIHARI.

71. THE HONOURABLE RAJA RAGHUNANDAN PRASAD SINGH :
(a) Has the attention of Government been drawn to the correspondence published in the "Indian Post" for November and December, 1930, at page 32 regarding the working hours of the Motihari Head Office ?

(b) If answer to the above question be in the affirmative, do Government propose to assimilate its working hours to those of other Head Offices ?

THE HONOURABLE SIR JOSEPH BHOORE : (a) Government have seen the correspondence in question.

(b) The matter relates to a detail of administration which is within the competence of the Postmaster General, Bihar and Orissa, to whom a copy of the question is being sent.

NUMBER OF INDIANS APPOINTED IN THE SUPERIOR SERVICES IN THE CUSTOMS, POSTS AND TELEGRAPHS, INCOME-TAX AND RAILWAY DEPARTMENT.

72. THE HONOURABLE RAJA RAGHUNANDAN PRASAD SINGH :
Will Government be pleased to state :

(a) the number of Indians that have been appointed in the superior services in the year 1929-30 in (i) Customs, (ii) Posts and Telegraphs, (iii) Income tax and (iv) Railway Department ;

(b) the names and nationalities of such officers ?

THE HONOURABLE SIR ARTHUR McWATTERS :

(a) (i) Customs	3
(ii) Posts and Telegraphs	8
(iii) Income-tax	5
(iv) Railway Department	36

(b) A statement is placed on the table.

Statement showing the names and nationalities of Indians that have been appointed in the superior services in the year 1929-30 in (i) Customs, (ii) Posts and Telegraphs, (iii) Income-tax and (iv) Railway Department.

Name of officer.	Nationality.
(a) (i) Customs—	
1. Mr. C. G. Taylor	British Indian (Anglo-Indian)
2. „ S. S. Bajpai	„ „ (Hindu).
3. „ E. S. Krishnamoorthy	„ „ (Hindu).
(ii) Post and Telegraphs :—	
1. Mr. H. E. Greene	British Indian (Anglo-Indian).
2. „ G. Augustine	„ „ „
3. „ J. J. Barry	„ „ „
4. „ X. Cordeiro	„ „ „
5. „ H. J. Nicholas	„ „ „
6. „ F. T. Peters	„ „ „
7. „ Kundan Lal	„ „ (Hindu).
8. „ E. J. W. West	„ „ (Anglo-Indian).

Name of officer.

Nationality.

(iii) Income-tax :—

- | | |
|------------------------------------|-----------------------------|
| 1. Mr. O. K. Martin | British Indian (Christian). |
| 2. „ R. Rajagopala Ayyar | „ „ (Hindu). |
| 3. „ F. R. Merchant | „ „ (Parsi). |
| 4. „ S. J. Mirza | „ „ (Muhammadian). |
| 5. Thakur Ram Singh | „ „ (Hindu). |

(iv) Railway Department :—

- | | |
|--|-------------------------|
| 1. Mr. J. N. Rudhra | British Indian (Hindu). |
| 2. „ Des Raj Kholi | „ „ „ |
| 3. „ D. C. Baijal | „ „ „ |
| 4. „ A. N. Sen Gupta | „ „ „ |
| 5. „ A. C. Mukerji | „ „ „ |
| 6. „ Shiam Sundar Lal | „ „ „ |
| 7. „ T. T. Bhavnani | „ „ „ |
| 8. „ Gurdas Mal | „ „ „ |
| 9. „ B. N. Kaul Sharga | „ „ „ |
| 10. „ Veda Mitra | „ „ „ |
| 11. „ P. N. Chandwani | „ „ „ |
| 12. „ R. B. Lal | „ „ „ |
| 13. „ Des Raj Khanna | „ „ „ |
| 14. „ Jagannath Rai | „ „ „ |
| 15. „ Kripal Singh | „ „ „ |
| 16. „ S. S. Ramasubrahmanyam | „ „ „ |
| 17. „ Narinjan Das | „ „ „ |
| 18. „ G. P. Dass | „ „ „ |
| 19. „ N. C. Kanitkar | „ „ „ |
| 20. „ S. L. Saksena | „ „ „ |
| 21. „ P. N. Batra | „ „ „ |
| 22. „ H. K. Mehra | „ „ „ |
| 23. Dr. H. C. Suri | „ „ „ |
| 24. Mr. H. B. Deshpande | „ „ „ |
| 25. „ M. A. Karim | „ „ (Muhammadian). |
| 26. „ Izhar Ali Abbasi | „ „ „ |
| 27. K. S. Moulvi Feroz Din | „ „ „ |
| 28. Dr. N. Ahmed | „ „ „ |
| 29. Mr. R. N. Goodman | „ „ (Anglo-Indian). |
| 30. „ C. H. DeSouza | „ „ „ |
| 31. „ H. C. Palmer | „ „ „ |
| 32. „ Iqbal Singh | „ „ (Sikh). |
| 33. „ Ranjit Singh | „ „ „ |
| 34. Dr. Harnam Singh Chhachi | „ „ „ |
| 35. Mr. F. X. Lobo | „ „ (Indian Christian). |
| 36. „ N. K. Misra | „ „ „ |

RETRENCHMENT IN GOVERNMENT DEPARTMENTS.

73. THE HONOURABLE RAJA RAGHUNANDAN PRASAD SINGH : Will Government be pleased to state :

- (a) the departments, if any, in which Government have been seeking adjustment of their expenditure in the coming year to the shrunken revenue ;
- (b) the details of their retrenchment policy ;
- (c) the savings anticipated therefrom ?

THE HONOURABLE SIR ARTHUR McWATTERS : The Honourable Member will find the answers to his question in the Budget papers which will be in his hands this evening.

REVENUE DERIVED FROM THE TAX ON PETROL FOR ROAD DEVELOPMENT, ETC.

74. THE HONOURABLE RAJA RAGHUNANDAN PRASAD SINGH : Will Government be pleased to state :

- (a) the revenue derived from the tax on petrol for Road Development in India in 1929-30 ;
- (b) the revenue that is expected under that head in the next financial year ;
- (c) the year when an allotment from that fund will be made to Bihar and Orissa ?

THE HONOURABLE SIR ARTHUR McWATTERS : (a) The net revenue realised in 1929-30 from the additional duty levied on petrol for road development purposes was Rs. 98,42,801.

(b) The Honourable Member will find this information very soon from the Budget papers.

(c) Grants from the Road Development Fund have to be made to all provinces including Bihar and Orissa in accordance with the terms of the Resolution adopted by this House on the 4th March, 1930. Two such grants aggregating Rs. 4,30,000 have already been provisionally made to the Government of Bihar and Orissa in the current year in respect of the period March, 1929 to September, 1930.

ISSUE OF WEEK-END RETURN TICKETS AT REDUCED RATES ON STATE RAILWAYS.

75. THE HONOURABLE RAJA RAGHUNANDAN PRASAD SINGH : (a) Will Government be pleased to state the names of State Railways which do not issue week-end tickets at reduced rate ?

(b) Does Government intend to instruct those Railways to issue such tickets ?

THE HONOURABLE MR. J. A. WOODHEAD : (a) No week-end return tickets at reduced rates are issued on the North Western Railway and on the Burma Railways.

(b) Government do not consider that this is a matter for [their interference. Railway Administrations are in the best position to determine to what extent such facilities may be justified.

ELECTION OF SIX MEMBERS TO THE CENTRAL ADVISORY COUNCIL FOR RAILWAYS.

THE HONOURABLE THE PRESIDENT : As the result of the election held on the 26th of February the following Members have been elected to the Central Advisory Council for Railways :—

The Honourable Rai Bahadur Lala Ram Saran Das.

The Honourable Diwan Bahadur G. Narayanaswami Chetti.

The Honourable Major Nawab Sir Mahomed Akbar Khan.

The Honourable Mr. P. H. Browne.

The Honourable Sardar Charanjit Singh.

The Honourable Mr. Syed Abdul Hafeez.

PRESENTATION OF THE GENERAL BUDGET FOR 1931-32.

THE HONOURABLE SIR ARTHUR McWATTERS (Finance Secretary) : Sir, I rise to present the statement of the estimated revenue and expenditure of the Governor General in Council for the year 1931-32 in respect of subjects other than Railways.

It is usual, Sir, at the commencement of a budget speech to make a brief reference to the final results of the last year, that is, the year ending the 31st March, 1930, and to compare the audited accounts of that year which we now possess with the revised estimates which we gave to this House a year ago. On this occasion it seems more than ever past history and I think it will be sufficient if I tell the House that, whereas we estimated that we would finish the year with a surplus of 35 lakhs, we have actually realised a surplus of 27 lakhs. I think that that is sufficiently close estimating in a budget of this magnitude.

I wish I could say the same for the estimates of the current year. Every Member of this House must have realised from the statements which we publish from time to time, and particularly from the Customs returns, that this year must end with a heavy deficit. There is little that is novel which I can say about the circumstances which have caused that deficit. They are well known. But I must refer to them very briefly. From the agricultural point of view the year was a fairly good one, so far as the outturn of crops was concerned, and the monsoon rainfall in 1930 has been on the whole adequate. But we have been confronted with circumstances, both of world-wide influence and circumstances peculiar to India, which have upset all calculations. So far as the world-wide influences are concerned, the catastrophe which began in New York in October, 1929 gathered momentum all through the year and we are now in the depths of a trade and industrial depression which is probably without parallel in recent economic history. It is accompanied, as is always the case, with a tremendous fall in commodity prices, with the cost of living falling also, but lagging far behind the fall in commodity prices, with, in consequence, reduced power of consumption in all classes among all peoples; and a catastrophe of this kind falls most heavily and most rapidly upon countries such as India which are dependent mainly upon the export of raw materials and agricultural produce. We see exactly the same phenomenon if we look from Australia to the Argentine or from China—I was going to say to Peru, but I will take a better example—to West Africa.

[Sir Arthur McWatters.]

In the case of India the House will be able to measure the extent of this catastrophe if we estimate the fall in prices of our exports and of our imports. I am taking the period from September, 1929 to December, 1930. In that period the average price of our exports fell by no less than 36 per cent. The corresponding fall in imports was only 16 per cent. Some people may take some consolation from this in the thought that whereas we may perhaps have felt the full effect of the fall in prices on the articles which we sell, we perhaps have not yet obtained the full benefit of the fall in the things that we buy. Again, if we look at the balance of trade it is perhaps a little curious that the actual visible balance of trade during this last year has not been unfavourable. If we take the first nine months of the financial year we find that the visible balance of trade in India's favour has been no less than 34½ crores, and this, although somewhat less than the balance of trade in our favour in the two preceding years, is actually larger than the balance of trade in India's favour in the year 1927. Furthermore, if we consider the actual volume of our exports, we find that in the calendar year 1930 the volume of exports was only 4 per cent. less than that of the preceding year 1929. But in India we have had our own special difficulties. There are two main causes of our troubles. One, are the internal disturbances, the attempt, quite unsuccessful, on the part of one section of the community to bring Government to a standstill, and the other is the nervousness and uncertainty which is naturally felt by a great many people at the prospects of great constitutional changes, especially—and this is what I want to emphasise—as these changes are taking place at a period of extreme economic depression.

The effect of all the causes which I have mentioned has been felt by us most severely in our Ways and Means and I shall tell the House some more about that later on; at the moment I am concerned only to show their effect upon the revenue budget of the current year. First of all as regards Customs. Here we have naturally felt the effect of the fall in prices and of the reduced volume of imports and we expect that our customs will be down by no less than 9½ crores, of which 3½ crores is contributed by cotton piece-goods. Secondly, under Income-tax, though here we have not yet felt the full effects of the troubles of the present year, we expect to be short of our estimate by 2 crores 20 lakhs. The third large head under which we have suffered has been in the Post and Telegraph Department. It is inevitable that this Department should have suffered from the reduction in trade activity. You will find exactly the same in the Post and Telegraph Departments of every other country in the world. We expected the Department would work during the current year at a deficit of 48 lakhs. We now expect that the deficit will be 136 lakhs. And finally, there is the large group of heads which I may call our general finance heads, about which I shall have more to say later on. Under these heads we expect to be down by 128 lakhs. The result is that so far as the current year is concerned, we anticipate now, instead of a surplus of 86 lakhs for which we budgeted, a deficit of 13 crores 56 lakhs. That is all that I wish to tell the House about the current revenue budget. Full details will be found in the papers which will shortly be circulated and I will now go on to the subject which is of more vital interest to all of us, the prospects for the coming year.

We have to ask ourselves what those prospects are? On what basis have our estimates been prepared? We have to consider the two classes of factors which I mentioned just now, the world factors and the factors peculiar to India. As regards the first, we are still in the depths of economic depression. Whether we are near the bottom of the curve or at the bottom of the

curve may be a matter for dispute ; but I think that every one who is competent to judge would say that recovery must be slow. At any rate it is only prudent to estimate that it will be slow. As regards the factors in India, we may at least hope that they will not be aggravated ; we may perhaps hope that the evil effects will gradually pass away, and therefore, in framing this budget, Sir, we have been cautious, but we have not been unduly pessimistic ; because, on the one hand, while we are determined not to leave an unsound position to our successors, while we are absolutely determined to present a budget which is soundly balanced, at the same time we have to be careful not to impose such taxation upon the tax-payer of to-day as would actually retard the process of improvement when it comes.

I think that I can explain the position most clearly to the House if I take the budget estimates of the current year and compare them with our budget estimates for the next under different heads. That will give the House the measure of the gap which is to be made up on our present level of expenditure and on the present basis of taxation. First of all, as regards Customs, we expect that in the coming year we shall get $1\frac{1}{2}$ crores more from Customs than we anticipate in the current year, but it will still be 8 crores below last year's Budget. As regards Income-tax, unfortunately here the tax is levied upon the profits of the current year and therefore we feel the full effect of the present year's depression. We expect to be down on the current year's Budget by $4\frac{1}{2}$ crores, that is, 2 crores 30 lakhs worse than what we expect to realise this year. Apart from that, we have to allow for the falling off under our Opium receipts under the policy which reduces our opium exports year by year until they are finally extinguished. There are other smaller items, and under our tax revenue as a whole we expect to be down by 13 crores 16 lakhs.

I now turn to the Commercial Departments. Under the Posts and Telegraphs Department, we anticipate that next year will show a deficit of 141 lakhs, or if we include Capital which is charged to Revenue, 152 lakhs. Last year's Budget was bad enough, but this is 80 lakhs worse. As regards Railways, the deterioration under the Railways does not directly affect the revenue budget, but the House will realise very shortly from what I have to say that it has had a most serious effect upon our Ways and Means. So far as the revenue budget is concerned, the railway contribution next year will be 536 lakhs as against 574 lakhs in the current year, that is 38 lakhs less, so that under these two big Commercial Departments as a whole, we shall be worse by 1 crore 18 lakhs. Then there is the large group of heads which I have called general finance heads, that is to say, our interest receipts, our profits from Currency and Mints, our interest payments and the provision for Reduction and Avoidance of Debt. It is necessary to consider all these together for a proper understanding of the position. First and most important, our interest receipts. It is inevitable that there is a heavy fall here, because reduced prices mean reduced currency and our profits therefore from the interest on our Currency Reserve and also from Coinage and Mints are reduced. Under this head, we expect to be down by 2 crores 27 lakhs. Further, the interest on the Gold Standard Reserve, owing to the lower rate of interest prevailing in London, will be down by 54 lakhs. Next, as to our interest payments. Here we have been raising larger loans, raising loans at higher rates of interest, but actually the Budget will only show a loss under this head of 1 lakh. The reason for this mainly is that we have changed the system under which we debit interest charges to the Commercial Departments. The House will find a full explanation in the papers that will be circulated, but it amounts to no more than this, that we are charging the Commercial Departments, especially the Railways, the full rate of interest on the loans

[Sir Arthur McWatters.]

from which they have actually benefited. Then, there is finally the charge for Reduction and Avoidance of Debt. I think that every Member of the House will agree with me that this is not a year in which we could make a reduction under that head in the interest of our credit. Under the automatic working of the provision under this head, we shall have to allow for 78 lakhs more, so that under the general finance heads taken together we expect to be worse by 3 crores 76 lakhs. The figures which I have given to the House, if added together, 13 crores 16 lakhs under our tax revenue, 1 crore 18 lakhs under Commercial Departments, 3 crores 76 lakhs under our general finance heads, give a total gap of 18 crores 10 lakhs, against which we have to remember that last year's Budget contemplated a surplus of 86 lakhs, so that the gap to be made up is reduced to 17 crores 24 lakhs. This is the first figure which I wish the House to keep in mind. It is obvious that this gap can only be made up by one of two ways, first by reduction in expenditure, and, secondly, by providing new sources of revenue ; and I will take these two heads in turn.

First, in connection with reduction in expenditure, I will deal with the Military Budget. Here, I am glad to be able to inform the House that we have been able to make a reduction of no less than 1 crore 70 lakhs. The Military Budget will now stand at a figure of 52½ crores. The House will remember that when the system of a stabilised Military Budget was introduced, it was to be at a figure of 55 crores for 4 years. Last year, we extended the period by one year and reduced the figure to 54 crores 20 lakhs. This year we propose to extend the same process, extending the period for one year more and reducing the figure to 53 crores 63 lakhs, but in addition to this we have been able to secure economies in the Military Budget of no less than 1 crore 13 lakhs. This has been possible partly from the fall in prices which has enabled the Army Department to buy cheaper a great many of the commodities which they use. In the second place, it is due to the special economy campaign which has been in force in the Army, and, thirdly, it is due to the postponement of certain parts of their ordinary military engineering programme. I think the House should realise that we cannot count on these economies necessarily as recurring, for, in the first place, they depend upon the level of prices ; in the second place, they represent special savings due to the economy campaign ; and in the third place, the retardation of the engineering programme which the military authorities have agreed to, they would not have agreed to for military reasons, but they have done it simply in order to meet us so far as they could in the present emergency, and I hope the House will agree with me that we owe a debt of gratitude to His Excellency the Commander-in-Chief and to all army officers for the help that they have given us this year in reducing the Military Budget. Taking into account also a small reduction in the provision for the Territorial Forces' grant, the total reduction in the Military Budget will be 175 lakhs.

I now turn to civil expenditure. There are two aspects of this. First of all, there are the immediate economies which we are able to make and to bring into force in connection with the present Budget, and, secondly, there is the wider question of a more permanent policy for reducing the cost of Government administration as a whole. I will take the immediate economies first, because they will enable me to complete the Budget picture. I am sure that every head of every Department will agree with me that this year we have been unusually drastic in our economies ; indeed we have been ruthless. We have resisted all new expenditure and we have attempted to cut down wherever we could. We have been able to make some appreciable reductions. First of all, under the head Contingencies and Allowances, a head which the

Honourable Mr. Browne speaking in this House the other day referred to as the most serious head in any Budget—and I agree with him—under that head, we have made a reduction of no less than 26 lakhs, which represents a very large percentage reduction indeed. Secondly, in Frontier Watch and Ward we have made a reduction of 22 lakhs and in other special grants 14 lakhs. I would remind the House, in connection with the item, Frontier Watch and Ward, that we have also instituted a committee, which is now sitting, to enquire into the whole question whether by a better co-ordination of the various arms—irregular troops, regular troops and air force—we cannot make further reductions under this head.

Then I come to the big head—Civil Works. Here we have admitted no new works at all. We have cut down the provision for works in progress and we have made a large reduction under minor works, and the total savings under this head will be 33 lakhs. The total economies in the civil administration which we have been able to make are 1 crore 26 lakhs. Against this unfortunately there are certain unavoidable increases in expenditure. First of all, under the time-scale system there is an automatic increase in the pay of our establishments of 23 lakhs. Secondly, there is the Census, a non-recurring item, for which we have to provide 34 lakhs. Then there is an item of 19 lakhs—a non-recurring item which is unavoidable—for Civil Aviation; unavoidable, that is, if the present policy is to be continued. We have admitted only two items which, I think, might be mentioned to the House: (1) 2½ lakhs for improvement of our economic statistics, and (2) an additional grant of 3 lakhs for the Aligarh University. Fortunately, however, we have also one large non-recurring extraordinary item of receipt. We have quite recently been able to sell to the Imperial Wireless and Communications Company our assets in the Indo-European Telegraph Department. The House knows that that Department has been for some years a deficit Department. On the other hand, it was of advantage to the Wireless and Communications Company to remove it from their path because of the working of the special arrangement for division of profits—what is known as “the pool”. Also it was of advantage to Persia who were anxious themselves to work their internal telegraph system. We shall receive for our assets in that department a sum of £450,000 and the amount which we shall be able to take credit for in the Budget is 54 lakhs. We are entitled to take this credit to revenue because those assets were constructed in all cases out of revenue, and we can legitimately set them against the non-recurring items for Census and Civil Aviation which are of almost exactly the same amount. Taking then our civil expenditure as a whole we are able to make a reduction of 97 lakhs, and if we add to this the 175 lakhs saving on the Military Budget we reduce our figure of 17 crores 24 lakhs to 14 crores 51 lakhs. That is the second figure which I would like the House to keep in mind.

Before however I proceed to explain to the House how we hope to raise this amount of money I have to refer to the second aspect of retrenchment in civil expenditure,—the question of framing a more permanent policy for the reduction in the general level of cost of Government administration. Here we are proposing to the Legislative Assembly that a small retrenchment committee should be formed. We are suggesting that the Assembly should elect five of its Members to this committee and that two Members should be nominated by the Governor General, one of whom will represent the Finance Department. We hope that this committee will get to work immediately. We hope also that it will not go in for indiscriminate retrenchment. Very often indiscriminate retrenchment proves in the long run to be no economy, but we do hope that they will search for true economies right through our civil administration. And in order to help them to do this we have in the course

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of this year prepared very elaborate details in every department of the growth of our expenditure and how it has arisen. The Special Officer, Mr. Jukes, who has been employed on this work has unfortunately been seriously ill for the last few weeks ; otherwise I should have placed his review in your hands to-day. But we expect it to be ready in the next week or two, and in any case before the end of this Session. With regard to the work of this committee, I think it is right to mention one or two points. The position as regards Railways was very clearly explained to the House the other day by the Honourable the Commerce Member. If as a result of next year's working of the Railways it is found necessary to adopt any special method of inquiry, obviously a special committee of a technical kind would be necessary. So that the retrenchment committee which we are now proposing will not include Railways in its scope ; it would require a different kind of committee. Secondly, as regards the Post and Telegraph Department, the House knows that a committee is already sitting, the Chairman of which is a distinguished Member of the other House, to examine the commercial working of that Department. When that committee reports we shall know how far that Department is really working at a deficit or not, and then we shall be able, in consultation with the Legislature, to consider what further steps are necessary in regard to that Department.

There is one other subject connected with retrenchment which ought to be mentioned, which has been a good deal in the air, of making a lump cut in salaries of Government officials. I may say that we are not including in this Budget anything in the nature of an arbitrary lump cut from Government officials. It is a matter which has many important implications and I would invite the attention of the House particularly to what the Honourable the Finance Member is saying on this subject in his Budget speech. But two things I should say. The first is that in the proposals for new taxation, which I shall shortly mention to the House, you will find that some of them fall with full weight upon Government officials and indeed amount practically to a cut in salaries. In the second place, we are proposing to call a conference in Simla, as soon as possible after the Session, to which we have invited representatives of Local Governments to consider the question of reduction in salaries for new entrants to the services. This is an extremely important matter because I have not the slightest doubt that the Indian constitution of the future will find it difficult to work as economically as we are enabled to do and therefore if there is to be any saving from reduction in salaries of new entrants it is all the more necessary that we should begin at once.

After this digression, I now return to the basic figure of 14 crores 51 lakhs which requires to be made up. The first question which has to be considered Sir, is whether this deficit is a temporary deficit, whether it is one for which purely temporary expedients are suitable, or whether it is more in the nature of a permanent loss of revenue. The situation is in some respects undoubtedly abnormal. But behind that abnormality there is the more permanent necessity of providing increased resources in view of the obligations which will come upon us under the new constitution—and especially the increased needs of Local Governments. Therefore, I think, that the truth lies half-way between the two extremes. And in the proposals which I am going to disclose to the House we have endeavoured to keep that principle in mind. The new sources of revenue will be provided under two heads only—Customs and Taxes or Income. They are indeed the only two heads which are large enough to meet obligations of the kind which we are now facing.

First of all, then, as regards Customs, what we have done is to select certain articles on which an increase in rates seems to us justified. On others we are proposing a system of surcharges. The articles which we have selected for increase in rates are, first of all, imported liquors, sugar, silver, betel-nuts, spices and exposed cinematograph films. The last three will be raised from the 15 per cent. *ad valorem* rate to the present luxury rate of 30 per cent. As regards imported liquors, we are proposing increases on wines and spirits which amount to from 30 to 40 per cent. On beer, which is at present rated more cheaply than the others, we are proposing an increase which amounts to 66 per cent. of the present duty. Under this head we expect to get 61 lakhs. Secondly, as regards sugar, what we are proposing here is an all-round increase of Rs. 1-4-0 a cwt. except on molasses which remains unchanged. This duty is imposed purely for revenue purposes, but when we were actually considering it, we had before us the proposals of the Tariff Board on sugar and the Report of the Tariff Board will be in your hands in a few days' time. The rate which we are proposing, namely, Rs. 1-4-0 a cwt., although we arrived at it purely on revenue considerations, is as a matter of fact the basic rate which the Tariff Board are proposing in their Report as a protective duty. It is true their proposals for protection contemplate an additional eight annas a cwt. in certain circumstances, that is, if the price of sugar falls below the landed price of Rs. 4 per cwt. But we have arrived at our proposals quite independently ; it will be seen that they do not conflict with the proposals of the Tariff Board and it will make it easier to consider their proposals in due course. We expect to get from sugar 116 lakhs.

Then as regards silver, our proposal is to increase the duty on silver by two annas an ounce, that is to say, half of the increase which we made last year. Into this question some very important matters necessarily must enter. But I am not going to deal with the more general aspect of taxation on silver and will refer the House again to the comprehensive statement which the Honourable the Finance Member is making on this subject. I will deal with the matter purely as a revenue tax. We have found by the experience of last year that the increase which we then made of four annas an ounce has had very little effect upon the amount of imports of silver, and indeed, at the present price of silver, it is difficult to say why it should. Secondly, we found that the effect upon the price of silver, although there was a sentimental effect for a day or two, soon passed off. The real causes of the extreme fall in the price of silver are quite different. Thirdly, we think that this tax is justified to some extent because it protects the value of the silver holdings of the people.

I now come to the surcharges. What we propose is this. On articles which are tarified at 10 per cent. *ad valorem* we propose an increase of $2\frac{1}{2}$ per cent. There are very few of these articles. On articles which are tarified at 15 per cent. *ad valorem* we propose a surcharge of 5 per cent. That will bring us 263 lakhs. The duty on articles which are tarified at the luxury rate of 30 per cent. will be increased to 40 per cent. In connection with the articles tarified at 15 per cent. *ad valorem* I should specially mention that on cotton piece-goods. We propose that the basic *ad valorem* rate of 15 per cent. should also be raised by 5 per cent. which will bring us 90 lakhs. There remain certain articles which are tarified at specific rates, and the most important of these on which we are suggesting changes I will now mention. First of all, kerosene. We propose that the import and excise on kerosene should be increased by 9 pies per gallon, keeping the existing differentiation between the two rates. On motor spirit we propose an increase of two annas a gallon. On motor cars the original rate of 30 per cent. will be restored instead of 20

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per cent. as at present. We are proposing finally certain changes in the import duties on tobacco, though not on unmanufactured tobacco. The rate on unmanufactured tobacco will remain unchanged. The only important item under tobacco from the revenue point of view is cigarettes. Here we are proposing an increase of Rs. 1-8-0 per thousand.

That, Sir, concludes my remarks about Customs. We expect to get from these changes 982 lakhs, which includes 50 lakhs from the protective duty on galvanized pipes and sheets which is already in force and which was discussed in this House the other day. On our Customs proposals generally I should only like to say that they will undoubtedly impose an increased cost to consumers. But at the same time we have to remember the fall in prices and that fall in prices is both the necessity and the justification for our proposals. I would also like to point out that in spite of the increases which we are proposing, the total amount which we shall be taking from Customs is no greater than we should expect in a normal year from the customs duties at their old rates. And finally we may hope that in some cases at least the increases we are proposing may be of some benefit to Indian industry.

I now come to Taxes on Income. What we are proposing is this. The minimum exemption rate of Rs. 2,000 per annum will not be changed. On the first zone, i.e., from Rs. 2,000 up to Rs. 4,999 we propose an increase of 4 pies in the rupee. On the higher zones we propose increases which vary from 5 to 7 pies in the rupee. The deduction for super-tax will be reduced from Rs. 50,000 to Rs. 30,000 except for undivided Hindu families where the present deduction of Rs. 75,000 will remain, and also for companies where the present deduction of Rs. 50,000 will remain unchanged. On the lowest new zone in super-tax, Rs. 30,000 to Rs. 50,000, we propose a rate of nine pies in the rupee and on all the other zones of super-tax we propose an increase of two pies in the rupee. The flat rate for companies at one anna will remain unchanged. From the papers which will be circulated shortly the House will see that these rates, though they may seem rather arbitrary, do in fact work out to a graduated scale for incomes of various sizes, that they vary from 2 per cent. to 5 per cent. of the income, and the total amount which we expect to get from these increases is 454 lakhs under income-tax and 46 lakhs under super-tax, a total of 5 crores. These increases are undoubtedly heavy. But I may tell the House that we regard these proposals as being essentially of a temporary nature to deal with a temporary emergency. It may be that some parts of our scheme, the changes in graduation of different zones or the reduction of super-tax to Rs. 30,000 may be permanent. But before we can consider how far we can reduce income-tax there are other matters which will come under consideration in the course of the year. First of all, we shall have to decide whether the fall in prices really means a permanent reduction in our revenue. Secondly, we shall have to decide whether we are able in the course of the year to reduce the level of cost of Government administration; and, thirdly, we shall have to devise if we can some alternative methods of taxation which will press less hardly upon trade and industry. As regards income-tax, I should only refer again to what I said just now, that what we are proposing does operate as a direct cut in salaries of Government servants.

There is one other important matter in connection with income-tax. We are proposing, and a Bill will shortly be placed before the Legislature, to introduce the British system of residence as the basis of income-tax. At present our law affords a facility, almost an inducement, for the export of capital from India in order to escape this tax, and as the export of capital has for various reasons become one of the greatest dangers which confront us at

the moment we hope that this change in the law may do something to counteract that tendency. This Bill will be introduced and circulated for the opinion of commercial bodies and others and will probably come up in the September Session.

The net result of what I have told the House is that, if our proposals for taxation are passed by the Legislature, we shall end the year with a surplus of 31 lakhs, and as 88 lakhs of the new taxation will be levied in March, the deficit on the current year will be reduced to 12 crores 68 lakhs.

I now turn to what is the most important part of my speech—the question of Ways and Means. This is always the most important part of the Budget, but in the present year it is not only the most difficult but it is also preponderantly important, because the various circumstances which I mentioned earlier in my speech have affected our Ways and Means far more severely than they have affected our revenue budget. I will explain to the House very briefly some of the ways in which they have affected them. First of all, as the House knows, we are the bankers of the Provincial Governments and of the Railways. During this last year the Provincial Governments have had a very difficult time. They have had large revenue deficits; in most cases they have had to spend much money in relieving agricultural distress. Their drawings upon us as their bankers have increased by 3½ crores. Secondly, the Railways, as the House knows from the figures which have been placed before them recently, have been drawing on their reserves, and therefore they have been drawing on us as their bankers to the extent of 9½ crores. Next, in a year like the present it was probably inevitable that there should be some falling off in our receipts from postal cash certificates and savings banks. Last September we increased the rates on cash certificates to 6 per cent. and since then there has been a gratifying increase, but taking the year as a whole we expect that our Ways and Means will be affected to the extent of 3½ crores under this head. Thirdly, there is the deficit of the current year to be covered; and, fourthly, there is the very important question of contraction of currency. The House will understand that in a period of sharply falling prices it is inevitable that currency must contract. Whatever the ratio had been in September, 1929, the same process which we have had to go through would have had to be gone through, and as Government is the currency authority the contraction of currency directly affects our Ways and Means. That the contraction has not been excessive will I think be evident to any one who compares the amount of it with the actual fall in prices. We have contracted during the year 36½ crores, mostly against rupee securities in the reserve. As against this we have got back from circulation 17½ crores of silver rupees. The net effect of all these drains upon our Ways and Means has been a gap which we have had to make up of no less than 64½ crores during the year. The effect of it will be seen in the increase in the amount of Treasury Bills which are held by the public. The figure at the end of the year will be, we expect, 45 crores, against a figure of 20 crores which we anticipated in the Budget. That is to say, there will be a worseness of 25 crores. Treasury Bills held by the public will have been substituted for Treasury Bills in our reserve. So far as the rest of the gap is concerned, we have made it up through the larger takings from our rupee loan last year and by increased borrowings in London.

Now, as regards the next year, we have taken every step possible to reduce our capital commitments. The railway capital programme has been reduced by 5 crores to 11½ crores; the drawings of Local Governments, although next year too they will have difficulties, will be reduced by 2 crores to 9½ crores, and we expect that we shall require as new money only 7½ crores next year. We have also 7½ crores of 1932 bonds coming due for repayment, so that a total loan, including conversions, of 15 crores should meet all our requirements.

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If we obtain more than this we shall naturally apply it to reducing the burden of our floating debt. As regards borrowings in London, next January we have coming due what remains of the 20 millions loan, which is now reduced owing to the operations of last February to £15 millions. We expect to be able to convert that and, apart from that, we shall if normal remittances can be resumed, require no further borrowing.

But I must warn the House that this question of remittances to which I now come is one of the most difficult items in our Ways and Means operations. During the current year as I pointed out, in nine months we have had a visible balance of trade in India's favour of 34½ crores. Yet, the 5 millions or so which we were able to remit last summer have been almost exactly equalised by the amount of sterling we have sold in recent months. So in point of fact we have met our requirements in London by borrowing, and for this there is only one reason, namely, the export of capital from India. It may be due to various causes, but I can name two. It is due partly to speculation; it is due partly to nervousness as to what the future Constitution is going to bring.

12 NOON. The result of it of course is increased sterling borrowings, higher bank rates out here and depreciation of our securities and it is very much in the hands of Indians themselves if this tendency is to be counteracted. All I can say to the speculators is that they are going to be sadly disappointed. As regards those who are influenced by nervousness, I should say, "Get rid of it". What we want is a little more confidence and a good deal more co-operation. It is not necessary for me to make any appeal to this House, but if all persons in all classes in the midst of their not unnatural political enthusiasms, with which I for one feel great sympathy, if all of them could devote an equal amount of attention to matters which affect the financial stability and the credit of the country, then although the picture which I have drawn may seem gloomy and though some of the remedies we have proposed will undoubtedly be unpalatable, I feel certain that the recovery may be rapid. I also feel certain that, if the conditions for which I have appealed could be realised, India is in a better position than almost any other country to take advantage of improvement in economic conditions when it comes. (Applause.)

STATEMENT OF BUSINESS.

THE HONOURABLE SIR BROJENDRA MITTER (Leader of the House): Sir, Tuesday, the 10th March, has been set apart for Government business. As already announced, three Government Bills will be taken on that date. It is not, however, anticipated that this business will take up the whole, or even the greater part, of the time available. Government are willing to make available any time left over on that day after the disposal of Government business for a general discussion or the Round Table Conference. The Honourable Sir Sankaran Nair has given notice of a Resolution calling for papers in this connection and on the understanding that this is purely a formal method of initiating a general discussion, Government are prepared to give their consent under Standing Order 57 and rule 6 to its being taken at short notice on a Government day, namely, the 10th March. I understand, Sir, that you have admitted the Resolution and are prepared to permit it to be set down on that date if Government have no objection. It is apparent that more time will be available for the discussion of this subject on the 10th March than on any other date allotted for Resolutions.

The Council then adjourned till Eleven of the Clock on Saturday, the 7th March, 1931.

COUNCIL OF STATE.

Saturday, 7th March, 1931.

The Council met in the Council Chamber of the Council House at Eleven of the Clock, the Honourable the President in the Chair.

QUESTIONS AND ANSWERS.

RAILWAY FROM GAYA TO SHAHERGHATY.

76. THE HONOURABLE MR. ABU ABDULLAH SAIYID HUSSAIN IMAM: (a) Has any survey been made for a railway line from Gaya to Shaherghaty?

(b) If so, what was the result of the survey?

(c) Do Government propose to construct this line?

THE HONOURABLE MR. J. A. WOODHEAD: (a) Yes.

(b) and (c). The survey showed that the project if constructed to the 5'6" gauge would not be remunerative as the anticipated return on capital was 1.3 per cent. only. The Government of Bihar and Orissa also did not support the project. It was decided to drop the project as a broad gauge line, but it was thought that it might be worth while reinvestigating it at some future date as a 2'6" gauge feeder line.

STERLING LOANS ISSUED BY THE GOVERNMENT OF INDIA IN 1929 AND 1930.

77. THE HONOURABLE MR. ABU ABDULLAH SAIYID HUSSAIN IMAM: Will Government lay on the table the following statement:

(a) The dates and the amounts of sterling loans issued by the Government of India in 1929 and 1930.

(b) The response, i.e., when the list opened, when it closed, and the amount applied for, in each case.

(c) The rates of interest of the loans.

(d) The redemption yield on the terms offered.

(e) The redemption yield of the last sterling and rupee loans of 1928 on the dates mentioned in (a).

(f) The redemption yield of the loans (a) on the last day of 1929-30.

THE HONOURABLE SIR ARTHUR MOWATERS: Two statements are laid on the table.

Sterling Loans raised in 1929 and 1930.

Year.	Amount.	Date of prospectus.	List when opened.	List when closed.	Amount applied for.	Date of maturity.	Issue price.	Nominal rate of interest per cent.	Redemption yield on the terms offered.	Market quotation ex-dividend.	Yield.
1	2	3	4	5	6	7	8	9	10	11	12
	£				£ (c)						
1929	10,000,000	3-1-29	3-1-29	5-1-29	7,877,500	1-6-58 1-6-68	91	4½	(a) 5.093 (b) 5.028	85½	(a) 5.524 (b) 5.402
1930	6,000,000	9-2-30	10-2-30	10-2-30	38,812,350	15-6-32 (d) 15-6-33			(a) 6.473 (b) 6.627		(a) 5.515 (b) 5.941
1930	7,000,000	20-5-30	20-5-30	20-5-30	19,150,400	15-6-33 15-6-35	99	6	(a) 6.371 (b) 6.238	..	..
1930	12,000,000	15-10-30	15-10-30	15-10-30	87,211,750	15-10-35 15-10-37			6.000	..	..

(a) On the basis of the earlier date of maturity.

(b) On the basis of the later date of maturity.

(c) Balance was left for underwriters.

(d) Repayable at 101 per cent. on this date.

Redemption yields of sterling and rupee loans of 1928 on the dates mentioned below.

Loan.	Nominal rate of interest per cent.	Date of maturity.	Redemption yields on							
			3-1-29.		10-2-30.		20-5-30.		15-10-30.	
			Market quotation ex-dividend.	Yield.	Market quotation ex-dividend.	Yield.	Market quotation ex-dividend.	Yield.	Market quotation ex-dividend.	Yield.
7½ Millions Sterling Loan, 1928-28.	4½	{ 1-6-58 1-6-68 }	(a) ^e	..	80½	{ 5.894 5.747 }	78½	{ 6.090 5.910 }	84½	{ 5.610 5.480 }
4½ per cent. Rupee Loan, 1925-60.	4½	{ 15-9-55 15-9-60 }	94-1-0	{ 4.903 4.872 }	86	{ 5.531 5.446 }	86-14-0	{ 5.453 5.374 }	82-9-0	{ 5.840 5.723 }
4½ per cent. Bonds, 1934.	4½	15-9-34	96-8-0	5.213	94-12-0	5.844	95-2-0	5.778	95-2-0	5.922

(a) Not available.

WEEKLY STATEMENT OF CASH BALANCE AND TRADE DEMANDS OF THE BANK OF ENGLAND AND THE IMPERIAL BANK OF INDIA FOR 1930-31.

78. THE HONOURABLE MR. ABU ABDULLAH SAIYID HUSSAIN IMAM: Will Government lay on the table a weekly statement of cash balance and trade demands of the Bank of England and the Imperial Bank of India for the year 1930-31.

THE HONOURABLE SIR ARTHUR McWATTERS: The weekly "statement of affairs of the Imperial Bank of India" is published in the *Gazette of India* and most important newspapers. The weekly statement of the Bank of England is published in the *Economist* and other English journals.

TELEGRAPH ENGINEERING CLERKS IN THE BIHAR AND ORISSA CIRCLE.

79. THE HONOURABLE BABU JAGADISH CHANDRA BANERJEE: Will Government please state if there is any likelihood of those Telegraph Engineering clerks who have been transferred to the Bihar and Orissa Circle on account of amalgamation being retransferred to their home circle; if not, has any suggestion for granting them any compensation been considered as in the cases of Railway Mail Service officials from Calcutta to Patna or those of the Director General's staff from Calcutta to Delhi?

THE HONOURABLE SIR JOSEPH BHOORE: The question of retransferring the clerks is under the consideration of the Director General. The latter part of the question does not arise at present.

APPOINTMENT OF MR. BHAWANI TO A PERMANENT VACANCY IN THE PATNA TELEGRAPH ENGINEERING DEPARTMENT.

80. THE HONOURABLE BABU JAGADISH CHANDRA BANERJEE: Will Government be pleased to state whether their attention has been drawn to the case of Mr. S. K. Bhawani, mentioned in correspondence published in the *Amrita Bazar Patrika* of the 15th November, 1930; if so, will Government be pleased to state whether Mr. Bhawani has been provided with a post in any permanent vacancy in the Patna Telegraph Engineering Department?

THE HONOURABLE SIR JOSEPH BHOORE: The reply to the first part of the question is in the affirmative. As regards the second part, Government have no information and they do not propose to call for it as the selection of candidates for the posts in question is left entirely to the discretion of the Head of the Circle concerned.

TELEGRAPH ENGINEERING SUPERVISORS.

81. THE HONOURABLE BABU JAGADISH CHANDRA BANERJEE: Owing to the recent recruitment of new Engineering Supervisors, Telegraphs, in each Circle, have the old temporary Engineering Supervisors, who were going to complete their services for permanency, under the old rules, been reverted to the Traffic? If so, have Government considered providing them with any higher post in the Telegraph Engineering Branch, in consideration of their previous temporary services as Telegraph Engineering Supervisors?

THE HONOURABLE SIR JOSEPH BHORE : A few telegraphists were taken temporarily to bridge over the gap between the old and new systems of recruitment for the posts of Engineering Supervisors. Such of these as put in three years' *satisfactory* service as temporary Engineering Supervisors were made permanent. The others have been or will be reverted.

The answer to the second part is in the negative.

**ELECTRICAL SUPERVISORS IN THE TELEGRAPH ENGINEERING DEPARTMENT,
PATNA.**

82. THE HONOURABLE BABU JAGADISH CHANDRA BANERJEE : Were some Electrical Supervisors in the Patna Telegraph Engineering Branch not given an allowance for working as Electrical Supervisors for months together? If not, why? Does Government propose to provide them with any permanent post in the Telegraph Engineering Branch, in consideration of their serving as Electrical Supervisors?

THE HONOURABLE SIR JOSEPH BHORE : Government have no information nor do they propose to call for it as any individual who has a grievance is at liberty to appeal in the usual manner.

**IMPENDING DUMPING OF WHEAT, OILSEEDS, COTTON, ETC., BY RUSSIA ON
THE INDIAN MARKETS.**

83. THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : Will Government kindly state whether its attention has been drawn to the contents of the book "The Five Year Plan of the Soviet Union" by Mr. G. T. Grinko, published by Messrs. Martin Lawrence, Ltd., London, and what steps, if any, Government contemplates to safeguard the interests of those engaged in agriculture in India against the effects of the impending heavy dumping of wheat, oilseeds, cotton and other produce by Russia on the Indian markets?

THE HONOURABLE MR. J. A. WOODHEAD : Government have not yet seen the publication referred to, but have taken steps to obtain a copy. They have as yet no evidence of dumping on the part of Russia, and the question of taking any action to counter it does not, therefore, arise at present.

**TERMS OF ACQUISITION BY GOVERNMENT OF THE BENGAL AND NORTH
WESTERN RAILWAY.**

84. THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : Will Government kindly state the terms on which it can acquire the Bengal and North-Western Railway on the expiry of its present contract? When does this contract expire? What will be the total cost of such acquisition? Will Government kindly lay a copy of the relevant contract or agreement between the Bengal and North-Western Railway and the Government on the table of this House?

THE HONOURABLE MR. J. A. WOODHEAD : The terms of acquisition are given in detail in the History of Railways, copies of which are in the Library.

The contract expires by the efflux of time on the 31st December, 1931, but the Government have the option of determining it on the 31st December, 1932.

If the contract is allowed to expire by efflux of time the amount payable as purchase price may be estimated at about £2½ millions, but if the option is exercised the estimated purchase price will be about £10½ millions.

Copies of the relevant contracts are in the Library.

INCREASE OF THE EXPORT DUTY ON PETROL.

85. THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : Will Government kindly state whether for revenue purposes it contemplates to increase the export duty on petrol exported from India in the year 1931-32 ? If so, to what extent ? If not, why not ?

THE HONOURABLE SIR ARTHUR MOWATERS : If the Honourable Member will refer to the accounts relating to the sea-borne trade of British India, he will find that exports of petrol from India are insignificant. As a matter of fact, exports of petrol, benzine and benzol together did not exceed 488 gallons in 1929-30, and even if a high export duty were levied, the effect on Government revenues would be inappreciable.

PREVENTION OF THE SALE OF ADULTERATED GHEE.

86. THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : Will Government kindly lay on the table of this House copies of the correspondence between the Central Government and the various Provincial Governments on the subject-matter of measures regarding the prevention of adulterated ghee (pure ghee adulterated with *vanaspati* or any other article) being sold as pure ghee ?

THE HONOURABLE SIR FRANK NOYCE : Certain correspondence on the subject has already been placed in the Library of the House in reply to part (b) of the Honourable Mr. Surput Sing's question No. 63 in this House on the 10th March, 1930, and I would refer the Honourable Member to it. Copies of subsequent correspondence have also been placed in the Library.

SAVINGS MADE BY THE ARMY ON THE PURCHASE OF FOODSTUFFS, ETC.

87. THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : Will Government kindly state what savings the Army Department has so far made this year on the purchase of foodstuffs and other materials owing to heavy fall in prices ?

HIS EXCELLENCY THE COMMANDER-IN-CHIEF : It is estimated that during the year 1930-31 the savings will amount to about Rs. 64½ lakhs.

GENERAL DISCUSSION OF THE GENERAL BUDGET.

THE HONOURABLE THE PRESIDENT : The Council will now proceed to the general discussion of the Budget, Part II.

THE HONOURABLE MR. BIJOY KUMAR BASU (Bengal: Nominated Non-Official): Mr. President, I am not at all sure if this year's Budget is a good Budget, but I can frankly and truthfully say that it is an extremely clever Budget. I say, Sir, that it is a clever Budget mainly because I find that the Honourable the Finance Member in his speech delivered in the other House has with uncanny shrewdness anticipated criticisms and taken the wind out of the sails of his critics. In fact, Sir, there is considerably less, of what I may term the budgetary details, but there is a deal of anticipation of likely criticisms and of an adroit defence in advance. As one belonging to the legal profession, I can say that the method adopted by the Honourable the Finance Member is a time-worn game in advocacy. Psychologically considered, it really means, that what would have come with the most crushing force from his critics has been deprived of its full weight and force by this anticipatory defence. I may therefore at the outset state that it is quite possible that a good many of the criticisms that would be made on the floor of this House could be met by the Honourable the Finance Member with the suave reply, "Yes, I have already dealt with that". But, if I may, I for one would at least turn the table on the Finance Member by anticipating that kind of reply and tell him now, "Well, that will not do".

I will, Sir, now like to begin my comments on the Budget by referring to the remarks that I made during the time of the Railway Budget discussion—remarks which, if I may be pardoned for saying so, have proved prophetic. On the 21st February, I said this:

"While the Railways can lay the flattering unction to their souls that they have made their payment, that they have not defaulted, the Finance Member receives actually no cash. His difficulties as regards his own Budget on the revenue side are solved so far as the Railways are concerned, but the ways and means difficulties which have been acute in the past few months will be still more acute in the future."

This, Sir, I said on the 21st February, and on the 28th February, when presenting the Budget in the Assembly, the Finance Member himself said:

"These Railway results have not of course, as yet (owing to the method of calculating the railway contribution), affected our normal revenue, though they have a serious effect on our ways and means position, and they have raised a danger signal for revenue also in the future."

I would therefore, Sir, try to look at the Budget from the standpoint of the ways and means position, a point of view which I admit is somewhat unusual, but that standpoint is of much significance, and this significance is increased a hundredfold by the serious problems confronting the Government to-day in this respect and by the serious and far-reaching repercussions that these problems have on the Indian money market, in regard to exchange, gilt-edge, money rates, etc.

What is the outstanding feature of the ways and means position at the present juncture and what are the outstanding transactions contemplated in the coming year? The present position is this: The Government have a cash balance of about 9½ crores with the Imperial Bank. I should mention here that a convention has grown up whereby the minimum cash balance of the Treasury with the Bank is kept somewhere near about the figure of 7 crores. Therefore this balance is a little above that minimum. This is the position, Sir, at the beginning of this month. Now, we have got to find out if there are any chances of any replenishments through an excess of current revenue over expenditure. As is well known, Sir, January is about the best revenue collecting month. February is also a good revenue month. But with March begins the period when the tax gatherers slacken their efforts

as if their activities in the past two months entitle them to a good rest, and March is also a month when the Government has to make payments of half-yearly interest on certain Government loans. Therefore, on the whole we may say that the Government should feel satisfied if in the months beginning from March to May they have enough revenue collection to meet the outgoings. Considering, Sir, that there have been heavy imports of sugar and silver, and perhaps kerosene, in the last two months in anticipation of increase in import duties, the customs revenue in this and the next two months may well be on the small side. That being so, it would be hoping against hope to look forward to any relief in the cash position from revenue collections. If this is the position as regards the incomings, what is it in relation to the outgoings? The Treasury Bills maturities for the next few weeks are about $3\frac{1}{2}$ to 4 crores every week. The Government has therefore to make out payments on this scale week after week. As against this, they would not be getting more than $1\frac{1}{2}$ to 2 crores by renewal of bills. I say this after a careful study of the results of the Treasury Bills for the past two months and on an appreciation of the seasonal trends and tendencies in the money market. The Government are now offering about $6\frac{1}{2}$ per cent. interest for their three months' accommodation and even then they cannot be sure of more than $1\frac{1}{2}$ crores or thereabouts. In other words, taking the Treasury Bills position, the Government have to pay out $3\frac{1}{2}$ to 4 crores every week against maturities and they receive only $1\frac{1}{2}$ crores by sale of fresh bills. In the end they are on the wrong side by 2 to $2\frac{1}{2}$ crores every week. Remember that the cash balance in the Bank is very small and that it is barely above the minimum. Remember also that from the current revenue, far from there being any relief, there may be actually some embarrassment. Remember also that the capacity of the Imperial Bank to lend money to the Government is limited, because its own cash balance is small and because also the courses open to the Bank to increase its cash are restricted. In this situation how are the Government going to carry out the ways and means adjustments in the weeks immediately following? The resources are poor, the likelihood of replenishment is equally poor, but the net liability on the Treasury Bills position is large and must be readily met. The gravity of the position in this respect can be realised when I mention that the total short term debt at the present moment—a debt which has to be met almost day by day—is $52\frac{1}{2}$ crores, that the Government have already had to offer such a sky-high rate of interest as $6\frac{1}{2}$ per cent. for their 3 months' bills, and that this rate even has not succeeded in roping in any very considerable amounts. If my analysis of the ways and means problem with which Government are now faced is correct—and I believe it is so—this is a situation which requires immediate tackling and for which drastic remedies are needed and against a recurrence of which every possible measure should be taken. In the face of a situation of this gravity, in the face of these difficulties—and they are very menacing indeed—in the way of Government meeting their commitments, in the face of a colossal short term debt of $52\frac{1}{2}$ crores and with the three months' borrowing rate as high as $6\frac{1}{2}$ per cent., such balancing of the Budget as has been done in the earlier sections of the Budget pales into an insignificant achievement. It will not be possible for me to go into details as regards the budgetary proposals and prospects, especially with reference to how far the hopes now held out will come to be fulfilled. As I stated at the outset, I have sought to lay emphasis on the ways and means aspect of the Budget, and I should therefore content myself with the remark that so far as the General Budget proposals are concerned, an appreciation thereof from the standpoint of the ways and means problem, forces us to the conclusion that we should not fall into the error of facile gratification that the Budget

[Mr. Bijoy Kumar Basu.]

has been balanced. It is only a theoretical balancing, because—and this is a very important consideration—the contribution from the Railways to the general revenues is only a book adjustment. While, therefore, on the one hand, the ways and means difficulties should engage prime, earnest and immediate attention, it must also be ascertained how far the Budget proposals can be made to contribute their share towards the smoothening of the ways and means difficulties. It is true that the Finance Member has been courageous enough to face facts squarely, so far as the question of deterioration in revenue collection is concerned; it is also true that having measured the needs fully he has set about providing for the needs adequately. But one should not shut one's eyes to the possibility of the estimates going awry, and above all to the supreme fact of the railway contribution being illusory. It follows then that, however much those on the Treasury Benches may feel sick at the very mention of the word "retrenchment"; however much one might try to avoid this reference to this much-hated word—no word has been in more frequent use in both Houses—I must add my voice to what has now come to be the din for retrenchment. As I said in my Railway Budget discussion, so I will say now: Do not toy or flirt with retrenchment; go about it seriously; take it up earnestly and do something at once. In this connection, Sir, I might say that to the extent that you apply the axe to the capital and current expenditure, to that extent you will secure relief for your ways and means difficulties, a relief that might well mean the turning point in your crisis.

Sir, I will readily concede that the Honourable the Finance Minister has shown grip in his appreciation of the budgetary position; may I now appeal to him to show grit in the plans and the methods of his ways and means adjustments.

THE HONOURABLE MR. A. HAMID (Burma: General): Sir, when that awful looking comet known as Halley's comet made its appearance on the horizon of Bosphorus, all the good old Ottoman Jews, it is said, stood up, turned their old eyes towards the high heavens and prayed fervently to the Almighty that they might be saved from the comet and the Turks. Let me confess, Sir, in my habitual way of making private confessions, that when I heard Sir Arthur McWatters announce the deficit figures the other day, with my thoughts on the approaching calamity of higher taxes and increased duties, that historic prayer of the ancient Israelites came to my lips. I said, "O God my Lord, save Burma from the deficits of the Central Government and the demands made on her by spoon-fed Tatas". My own view as to the increased burden of taxation is that though my province may not receive any suitable measure of return for its contributions to the Central Government, though its legitimate demands may even be overlooked and pigeon-holed in the great Secretariat here, Burma is expected to acquiesce in every increased taxation presumably on the doctrine of "love thy neighbour". So long as the fidelity of Government was not questioned they were apparently on safe grounds to preach this or other precepts for the purpose of collecting a substantial harvest from Burma. Young Burma is now inspired with the spirit of true nationalism. It has fully and thoroughly conceived the fundamental principle of self-preservation. It now openly questions the sanctity of those precepts which involve the payment of three crores of rupees per annum in order to sustain Burma's "love" for her neighbour. The Honourable Sir Arthur McWatters told us the other day, though in other words, that the great virtue of increased taxation lies in the fact that it amounts to a cut in the salaries of Government servants. To my mind the precise virtue of the

increased taxation and duties is that a number of Government supporters in this House at any rate, will soon be deserting Government and coming on the side of Burma. I must, however, be honest and concede that, as to the general proposition placed before the House by the Honourable Sir Arthur McWatters, it cannot be denied, and I do not deny it myself, that the financial position of the Government is decidedly desperate, and that almost all the known solutions for the propping up of a declining budget are inseparable from the tapping of fresh sources of revenue. I hope I am voicing the right-minded people of Burma in saying that Burma will willingly shoulder the extra burden if it is assured that in the coming year it will receive a remission large enough to enable its Government to proceed with all those important undertakings which had to be suspended for lack of funds. We do not aspire to produce a replica of New Delhi, but for Heaven's sake do not starve our education and our health projects. Young Burma is keen. It is enthusiastic and I may go further and say it is desperate. In order to keep Young Burma in hand, it is the duty of the Central Government to send it a message of hope, that whatever is possible, even though difficult, to comply with, will be done for its sake. By that means alone will the Central Government be able to keep Young Burma in hand. This will tend to make the people desist from adopting those means which have caused so much difficulty and anxiety to the Central Government outside Burma.

THE HONOURABLE MR. H. M. MEHTA (Bombay : Non-Muhammadan) : Sir, as anticipated, the Budget has turned out to be a deficit one. The reasons were obvious. Men with foresight saw as far back as July, 1930, that as things were going on there would be a deficit of more than 14 to 15 crores of rupees. The Gandhi movement really played havoc with the imports of India. That is true. The Government were dependent upon an income of nearly 52 crores of rupees a year by way of import duties. These import duties fell, according to the Honourable the Finance Member, by nearly Rs. 9 crores, out of which cotton piece-goods contributed no less a sum than about Rs. 3½ to 4 crores. On the top of the Gandhi movement, the economic depression all over the world affected India to a very large extent, thus bringing the revenue of the country down to a further extent by about 6 crores less than anticipated by our Honourable the Finance Member, Sir George Schuster. The outcome of all that was, that not only the Government suffered in import duties but they got less revenue by way of income-tax to the tune of Rs. 2½ crores or even more. This big fall shows clearly to everyone how the big offices and the big industrial and commercial concerns of India have suffered. If they had not suffered, there would have been a great amount of income-tax coming into the pockets of the Government. In spite of this knowledge, our Honourable the Finance Member, Sir George Schuster, deems it wise to further augment the import duties to the tune of Rs. 9½ crores. I shall be very happy and indeed be the first man to congratulate the Finance Member if his expectations prove to be true. I am afraid that the increased duties on imported goods, instead of getting those goods into the country in larger quantities, will surely retard them ; not only will they retard them, but the expectation made by the Honourable Member would be upset, because when a certain article is put up to such a great extent that the people cannot afford to buy it they will shirk it, and they will go somewhere else or do without it altogether ; and thus the Honourable Member's calculation will be upset. Then, Sir, coming to the second point, income-tax, I am afraid that the Honourable Sir George Schuster would be even disappointed in that. He will certainly get the extra income from those who are in the Government service, from those who are

[Mr. H. M. Mehta.]

serving in other business concerns, but certainly he will not get the same amount of income-tax, I am sure, he will get much less income-tax than even what he received last year from the business houses, industrial as well as commercial. One of the biggest trades of India, namely, the jute trade, has suffered terribly; the income has gone down to a very large extent. They are all making losses. Even the jute scripts which were considered a gilt-edged security, have gone down by about 50 per cent. in value. Cotton mills, as Honourable Members know, have suffered to such an extent that it will take years to revive, barring the Ahmedabad Mills, thanks to Mr. Gandhi. Therefore I am very doubtful if the Honourable the Finance Member, Sir George Schuster, will get the revenue that he anticipates, namely, 5 crores more from income-tax. And, Sir, what is after all the Government of India? It is a much bigger office than any other business or commercial office. All the offices, seeing these depressed times, took their employees into their confidence and asked them whether they would have a cut of 15 to 25 per cent. or whether some of the men should be disbanded from those concerns. All put their heads together and the result was that everyone accepted a 15 to 25 per cent. cut; even the house owners made a 25 per cent. reduction in office rents instead of losing the customers altogether. If that can be done in the big offices, why should not the Government of India take those steps and reduce from the top man to the very bottom man and make a reduction of 15 or 20 per cent. so as to balance the Budget? If the Government of India think that they can always borrow and they can always put further taxation on the country, a day might come when they will not be able to borrow and they will not be able to put further taxation and I hope my Honourable friend Sir George Schuster is not heading the country to that end.

THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD (United Provinces Northern : Non-Muhammadan): Sir, the Budget has not come to us as a surprise. All round economic depression, the effects of which have been accentuated in the country by the Government's financial policy, had clearly foretold the serious plight of the Indian Budget this year. Instead of the anticipated surplus of 86 lakhs at the end of March, 1931, the Honourable Finance Member now expects a deficit of 13½ crores. World economic conditions have certainly something to do with this state of affairs, but Government cannot be absolved of all responsibility in respect of such difficulties as are, in the words of the Finance Member, "mainly inherent in the present situation in India" and which have resulted in making the condition of the agricultural masses in this country deplorable. The expenditure of the Government of India has gone on increasing from year to year and so the burden of taxation on the poor. It has been submitted times without number that to improve the economic condition of the country, it is necessary that effective steps should be taken to increase the industrial and commercial prosperity of the country and that there should be ruthless and drastic retrenchment in the expenses of the Government; yet the administration in India continues to be the costliest in the world. It has been an old cry that military expenditure in India and the so-called "Home Charges" in England by themselves eat up the major portion of the revenues and substantial reduction should be made in them, but this has remained a cry in the wilderness. Always the bogey of efficiency has stood in the way. Even the very modest retrenchment proposed by the Inchcape Committee in respect of military expenditure has not been effected. The suggested limit of 50 crores has not yet been reached. It has been argued

that to maintain the standard of efficiency there is very little scope for substantial reduction in military expenditure. But when there arose the necessity for modernisation of the Army and extra money was not to be found by any means, the Military Department itself reduced the normal expenditure to help the modernisation. This is only an instance to show that if there is the will the way can be found. With the appreciated exchange and the fall in prices the limit proposed by the Retrenchment Committee should have been reached by now. It has been said that a substantial reduction of no less than 170 lakhs is being made in the next year's Budget in military expenditure, and I welcome that announcement. But the reduction is being partly made dependent on the continuance of low prices for grain and other stores. So, as a matter of fact, no intrinsic economy is being effected. It is a patent fact that substantial reduction could be made in the military expenditure by a rapid Indianisation of the Army. Recruitment of Britishers should have been stopped altogether. The fighting quality of the Indian soldiers has been tested and found inferior to none in theatres of war. So the recruitment for the rank and file could have been limited to Indians alone as India can give any number of men required for this purpose. But, Sir, as His Excellency the Commander-in-Chief has recently made a welcome announcement of policy in this behalf I will not dilate on this point at length but only express the hope that a policy of rapid Indianisation of the army will be followed by the Government of India.

Sir, I also welcome the announcement that the Government propose to appoint a retrenchment committee, but I must say that the committee will, in my opinion, serve no useful purpose if its labours are to result in the dismissal of a few low-salaried peons and clerks, as past experience has shown. In my humble opinion, substantial economy is alone possible if a reduction is brought about in the emoluments of those officers who are drawing fat salaries. And when the salaries were raised some years ago as a result of a rise in prices in the post-war period there is no reason why they should not be reduced now when there has been an enormous fall in prices. We have read of the 10 per cent. reduction in the salaries of the British Ministers, and I do not know why a similar magnanimity should not be shown by our administrators in India.

Then, Sir, the woes of the country are to a certain extent due to the 1s. 6d. ratio which was forced by the Government in the teeth of non-official opposition. At a time like this it was hoped that the Government would revise their ratio and exchange policy but it is a pity that the Government have paid no attention to this matter so far.

As the large deficit anticipated in the coming year is proposed to be financed partly by retrenchment and largely by new taxation, I now turn to the question of the proposed taxation. I must say that the burden of taxation, and more especially the land revenue, sits heavily on the peasants of India, and it is a pity that the Government of India have not seen their way to lighten this burden even in an abnormal year like the present one when a grave crisis is facing the agriculturists. I hold the Government of India responsible in this matter in that the Central Government have reserved to themselves the power of regulating the land revenue policy so much so that the provincial Councils cannot altogether independently decide the problem of revenue settlement. Besides, the agriculturists expected a substantial reduction of railway freight on agricultural produce and the prohibition of the import of foreign wheat into India in these times of agricultural distress, but these hopes have practically remained unfulfilled.

[Rai Bahadur Lala Jagdish Prasad.]

As regards the proposals of taxation, I must say that the surcharge of 5 per cent. on cotton piece-goods would, I hope, not be grudged by any well-wisher of the country as, although meant for revenue purposes, it is expected to help the indigenous cotton mill industry. In the same way, the increase in duty on sugar should be expected to counteract to some extent the competition which the indigenous industry is having to face by reason of India having become a dumping ground for sugar manufacturers in foreign countries like Java and elsewhere. Similarly the duty on the import of foreign liquor will advance the cause of prohibition and needs no criticism. But, Sir, the same thing cannot, I am afraid, be said of other imposts proposed by Government. The higher tax on kerosene will be felt by the poorest people; the tax on motor spirit is high enough as it is; and the tax on silver bullion is an act of doubtful policy. The higher income-tax will be a serious new burden on men of fixed incomes which barely meet the present-day cost of living. Moreover, whether the general increase in customs duty will bring in the estimated revenue is problematical. For, it is very doubtful if with the reduced purchasing power of the people they will be able to contribute more to the coffers of Government in the shape of indirect taxes. The bulk of India's population consists of agriculturists who have not the wherewithal to meet in full even their rental and other liabilities. The substantial increase in income-tax will necessarily reduce the purchasing power of the salaried classes and professional and businessmen. Additional taxation to the tune of nearly 19 crores has been levied in the course of two years during a period of exceptional depression, and I must with all respect sound a note of warning against the law of diminishing returns.

THE HONOURABLE MR. M. D. DEVADOSS (Nominated Indian Christians) : Sir, I congratulate the Honourable the Finance Member on his very laudable attempt to balance the Budget under very trying circumstances. I do not think any exception could be taken to the various duties which he had proposed to impose. But, Sir, this must be remembered that the revenues of India are not likely to increase very much in the future, and therefore the economic salvation of the Government lies only in drastic retrenchment in all the Departments. I will content myself with referring to two items under this head. Posts and Telegraphs, Sir, are likely to cause a loss of 136 lakhs. They are commercial undertakings, and I do not understand why we should lose so much on Posts and Telegraphs. The postage is already very high. We have lost the 3 pies post-card and half-anna letter postage. And therefore the only way of saving the situation is by increasing the income under the head of Telegraphs or by cutting down the expenditure. We are told, Sir, that there is a committee sitting under the presidency of a distinguished Member of the other House, and I hope that committee will make proper recommendations which will be given effect to.

Then, it is usual to attack the military expenditure as being very heavy. The Budget estimate for the next year is 52 crores 60 lakhs. In the current year the expenditure was 54 crores 30 lakhs. To this must be added 2 crores 5 lakhs paid to the Bombay Government for land said to be taken for military purposes; that is the land reclaimed at Colaba station. I do not think this amount has been added to this year's Budget of the military expenditure. I also think that the loss on the strategic lines has to be put under the head of military charges for they are not commercial undertakings; they are constructed and maintained solely for the purpose of defence of this country. If these

two items are added, the expenditure for the present year would amount to 58 crores 35 lakhs. As regards next year, we are thankful to His Excellency the Commander-in-Chief for effecting certain economies. The Budget estimate for the next year is 52,60 lakhs, and the estimated loss on the strategic lines is 1,96 lakhs. The total comes to 54,56 lakhs. As a layman and not a pandit on military affairs I wish to offer only a few remarks. Sir, a large standing army was considered necessary at a time, I suppose about 50 years ago, when there was a fear of the Czarist Russia's designs on India. After 1904, I do not think any person who knows the history of the Russo-Japanese War would have thought that there was any danger from the Russian quarter to our country. But, Sir, when once a state of things is set going, the law of inertia always operates, but what was then considered necessary cannot now be considered to be essential or necessary in the present state of things. Sir, we have the League of Nations, and every country is now attempting to limit its armaments. Recently we have had the naval limitation agreement entered into between Great Britain and Italy which will have, I suppose, a very good effect upon the limitation of naval armaments. We have also to consider that Persia and Afghanistan are now independent countries and therefore it is most unlikely that Soviet Russia would have any chance of giving any trouble to us. This being the position, the question arises whether such a large standing army as we have at present is necessary. It is urged often that the trouble, or the apprehended trouble, on the North-West Frontier is a sufficient ground for a very large standing army. Sir, after coming here, I have had occasion to talk to one or two people who know the country intimately, and they tell me that the tribes on the North-West Frontier give trouble because they have not got the wherewithal to live, that is to say, the country is a very healthy country, but it is a very barren country and they have to get their foodgrains from the lowlands and from the surrounding country, and that is the reason why they make these armed excursions and invasions into the neighbouring countries. If these people could be made to do some useful work, or if they could be provided with foodgrains and other things, they would not give us much trouble. Sir, if this version is correct—and I would ask the authorities to investigate the position—then the strength of the army could be greatly reduced to a size sufficient to meet such of the purposes as would be necessary for the safety of the country. The reduction of the army is not a thing which could be undertaken in a night. It must be a slow process. But meantime there are a number of items of expenditure which could be carefully scrutinised and if possible reduced. I may give one instance. A sum of 3 crores is budgeted under head VII—Transportation, Conservancy, Hot Weather Establishments and Miscellaneous. I consider this item to be a very heavy one and I would ask the authorities to scrutinise it and see whether some saving could not be effected. Sir, if these things could be done, I think we shall have some satisfaction before the end of the year that our Budget is not so very hopeless as some would have us believe.

THE HONOURABLE MR. P. H. BROWNE (Bengal Chamber of Commerce) : Sir, on behalf of the European non-official Members of this Council, and I hope on behalf of other Members, I should first like to congratulate Sir Arthur McWatters on the extraordinarily lucid speech in which he put forth the Budget position. He appears to be able to go on for—I might almost say—hours without any reference to notes, and including all kinds of intricate figures. He must indeed have a wonderful memory, and it is a great source of satisfaction to us to feel that even the smallest suggestions made in connection with the Budget cannot be lost sight of as they will remain always in his memory. (Applause.)

[Mr. P. H. Browne.]

Sir, the position as disclosed in the Budget is indeed a grave one, and although we of course realise that in the interests of the country the Budget must be balanced, the proposals put forward by the Finance Member, especially those connected with taxes on income, are going to prove a very serious handicap to trade and general development. The Honourable Member for Finance attributes the deficit of 14½ crores to two probable causes—externally, the world economic conditions. We all fully concur that the present economic conditions have accounted for a very large portion of the deficit. Internally he attributes it to political disturbances. Sir, I cannot entirely exonerate the Government under this head. There is undoubtedly a considerable feeling that if a stronger line had been taken when civil disobedience started, we should not have come to the conditions that we have arrived at to-day.

On the expenditure side we have the amount saved by the Military Department of 1,75 lakhs, which is certainly satisfactory. We learn that this is due to a fall in prices, though we hoped there might also be economies due to other retrenchments. But still even a saving due to a fall in prices is satisfactory. With regard to the other expenditure, the Finance Member announces a Retrenchment Committee. Sir, on reading the speech of the Finance Member regarding the Retrenchment Committee I cannot find that any mention is made of the appointment of a Member of this House on that Committee. I trust this is not intended as a slight to this House. We are just as much interested in retrenchment as the other House and I think that, if a Retrenchment Committee is formed, a Member of this House—at least one—should most certainly be on the Committee. At the same time I am strongly in favour of any Retrenchment Committee being kept as small as possible, and so, in order to meet us, it might be necessary to consider a reduction of the number of Members from the other House. Having referred to that point, Sir, I regret to say that I am not at all sanguine that this Retrenchment Committee, if formed, is going to help in any serious reduction in the expenditure of the Government. I understand the Finance Member in another place said that he is satisfied that all economies are being effected and that this Committee is proposed in order to enable the Legislature to satisfy itself that further reductions cannot be made. Regarding the appointment of a Retrenchment Committee I feel that business men with experience of running their own business and having to make a profit or eventually close up are the men to criticise the expenses of Government Departments and I fear that it will be extremely difficult to secure business men who will be able to give up sufficient time to make a success of this Retrenchment Committee. It will take months and months of hard work, and no man with a business, which nowadays requires

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more than ever his personal attention, will be able to give up the time to it. I would rather suggest for the consideration of Government that every Government office should be instructed to call for proposals of economy from their staffs, down to the clerks and lower grades. Suggestions should be called for by the Superintendents in the first place and, if of a likely nature, placed before the Head of the Department. It is the people actually working in the offices who can most easily see where economies can be effected.

THE HONOURABLE MR. A. HAMID : I heartily agree with that suggestion.

THE HONOURABLE MR. P. H. BROWNE : Thank you. It is being done in some offices, and of course you get all sorts of strange suggestions, but at the same time you probably get many good ones. When any good suggestions are made, they should be put forward to some central representative of Government so that other offices may obtain the information, and the economies, if found to be practical, can be generally adopted. I notice that the Audit Department of Government costs one crore of rupees. Sir, I almost tremble to suggest it, but I think the Audit Department of Government is a cumbersome machine. I cannot help thinking that reorganisation is possible. It would take a great deal of investigation and a great deal of thought, but instead of the Retrenchment Committee now suggested I personally would far rather see a committee of, say, three qualified accountants to put up proposals to reorganise the general system of Government accounts. They must be good men and they should not be Government accountants. I am of opinion that a more efficient and more economical system could be devised than the one at present in force and I put that proposal to the Finance Member for the consideration of Government.

I now come to the proposals to meet the deficit of 14½ crores. There are heavy increases in the customs schedule, many of which may hit particular interests very hard, and there may be special cases where some relief is desirable. The other proposal, taxes on income, is a terribly heavy one. We are hearing from various quarters of the serious burden which this taxation will place on the community generally. In this connection I see that there was a meeting of the European Association held in Calcutta last night. I have not had time to consider their suggestions, but I would recommend them also to the Finance Member for his consideration. In his speech I notice he said that the particular question, whether any alternative methods of raising revenue can be devised less hampering to the economic life of the country than increased taxes on income, requires very careful consideration; and I am pleased to see that at the conclusion of his speech he says that various other methods for raising the money are under consideration. Well, Sir, I think every one realised many months ago that there was going to be a very heavy deficit, and I should have preferred to learn that, in addition to starting to investigate other lines, some other lines had been discovered. I find however the plan for new taxation is the simple, one and is confined to the headings "Customs" and "Taxes on Income", which of course are always ready at hand. In the Finance Member's speech he refers to the question of carrying forward losses in connection with the payment of income-tax and super-tax. My constituents for many years have pressed for this on the ground of equity, and I trust, although the Finance Member sounds rather more reluctant in his remarks this year, that he is not going to let us down on this point. We do feel, Sir, strongly that losses made in one year should be allowed for in the collection of income-tax and super-tax in the following year.

On the question of research I should like to refer to paragraph 73 of the Finance Member's speech. He talks of the possibility of grants for sugar and jute. Well, Sir, as far as jute is concerned, it has already been stated in the other House that Bengal do not want any provision made for this Jute Committee. The question that is worrying Bengal at present is what to do with the jute, not how to produce any more, and there is no necessity in these stringent times for the Finance Minister to bring forward

[Mr. P. H. Brown :]

a subsequent grant to meet the five lakhs cost of the proposed Jute Committee in Bengal. I notice that the encouragement of the sugar industry is likely to come up for a particular grant. I would suggest that rice, a staple product of India, has a stronger claim. There is no doubt that other countries are improving their rice production and I am afraid are going ahead of India and Burma in the rice trade to a certain extent, and I trust the point will not be lost sight of, that research in connection with the production of rice should have every consideration from the Agricultural Research Council.

Now, Sir, the only other point I wish to refer to is the question of the ratio. The Finance Minister quite clearly stated that there could be no reconsideration of the ratio, and in paragraph 14 he pointed out that the present financial position in India is very serious. There is weakened confidence in India as a field of investment, both at home and abroad ; there is a decline in the price of Indian securities, and there is a steady drain of capital away from India. This is causing a fall in the value of securities and increased rates for Government loans, and I appeal to all of those, Sir, who have sent capital out of this country, possibly in the hope of bringing it back at a lower rate of exchange, to bring that capital back at once. It is urgently wanted here to assist development and to stabilise financial position which is undoubtedly being steadily weakened by the outflow of capital.

THE HONOURABLE KHAN BAHADUR CHAUDRI MUHAMMAD DIN (East Punjab : Muhammadan) : Sir, the Honourable Sir George Schuster is to be congratulated on the admirable manner in which he has handled and explained the various statistics and on his lucid and clear statement of facts and figures. The world-wide trade depression, the abnormal fall in agricultural prices, the political situation in India, have had their effect on the financial position and the task of the Finance Member has consequently been extremely difficult and anxious during the last 12 months. But it is gratifying to note that in spite of our financial difficulties, the fundamental position is still sound compared with many other countries in the world. I hope that with improvement in the political situation, as the result of recent peace agreements, and with gradual revival of trade, the tide will turn before long, and the financial position will improve. Anyhow a policy of strictest economy will have to be pursued for a long time to come to keep the Budget balanced. " Prosperity's right hand is industry and her left hand is frugality." I am glad that a Retrenchment Committee has been proposed by the Finance Member, but the Committee need not be confined to Members of the Legislative Assembly as proposed. There are non-official Members in this House whose wider experience of financial concerns will be of immense advantage to the Committee. I would suggest that at least two non-official Members should be elected from the Council of State for the Retrenchment Committee.

Sir, one of the regrettable features of the Budget is the lack of provision to help the Indian peasantry. The possibility of a small grant for jute and sugar is a negligible factor in a vast country whose economic activity is mainly directed to the production of primary agricultural products. About two-thirds of the population of India is employed in agriculture. As a result of the great fall in prices of produce, the agriculturists have been reduced to great misery. The cost of production exceeds the price to be got for the

produce in the market and the zemindars find it most difficult to pay the land revenue. One of the largest and wealthiest landholders in Northern India told me the other day that he had to draw a sum of Rs. 20,000 out of his reserve fund to pay the land revenue this year, and that if such conditions continue for another two years he will have exhausted all his savings and would be obliged to offer his land to Government owing to inability to pay the land revenue. In Australia they are taking measures to render financial assistance to the wheat growers. Some such action should be taken in India to relieve the present agricultural distress which if unalleviated would be a source of great trouble. Another disquieting feature of the Budget is the borrowing at high rates of interest. The ready response met by the last Indian loan in England indicates that India is still regarded as a safe investment. The talk of repudiation of India's debts should not frighten our Finance Department. The plan of new taxation to meet the deficit appears to be well thought out and sound. As regards new sources of revenue I know that in some Indian States a system of tobacco monopoly is already in force and they derive a decent income from this source. A similar scheme should be introduced in British India and the income from this source, which according to a rough estimate would amount to half a crore, should be earmarked for starting a scheme for the proper organisation of the marketing of agricultural produce and for other needs of the peasantry.

THE HONOURABLE MR. ABU ABDULLAH SAIYID HUSSAIN IMAM (Bihar and Orissa : Muhammadan): Sir, speaking on the Budget, I wish to make a personal explanation, that I am not a professional financier, and so I cannot really look at the Budget from the angle of vision of financiers, which I may say is a bit refracted and rarified. I look at it as an ordinary man who knows only that two and two make four. The Budget is no doubt very admirably made out and, as has been pointed out, the Finance Member has tried to silence the critics by forestalling criticism; but still, as there are arguments for, there are arguments against, everything, I do not wish to go much into the details, as constitutionally we are debarred from having any say in the matter of expenses and our position is simply advisory. As such we ought to confine ourselves more to matters of policy than to matters of detail. I have kept this point in view in dealing with the Budget.

The first thing that strikes me as very detrimental to the interests of India is the currency policy, I mean the contraction of currency. The contraction of currency policy is no doubt justifiable up to a certain limit. Contraction in itself is good when it is utilised to bring down the prices to the level of the other countries which control the commodity, but when the prices are falling below the level, then it seems that it should be stopped. And if the fall is not checked by this, then inflation should be made. From the statement that has been made by the Honourable Sir Arthur McWatters in the Explanatory Memorandum it appears that the average fall in prices of the United States, the United Kingdom, Canada, Austria and Japan together comes to 14.5 per cent., whereas the fall in India is 18.3 per cent. The figures are from January up to October for which figures were available in the statement. This shows that there has been more fall in commodity prices in India than in other countries. And in the face of the fact (as the Finance Member has pointed out in paragraph 103), that India is but a minor factor and its prices are subservient to the world prices, or in other words it does not set the pace, rather it follows suit, it seems strange that where we ought to be following suit

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we are leading the way, and not by a small margin; but a third more than the fall in the rest of the world. Another authority very recently pointed out :

"A scarcity in the supply of means of payment should never be allowed to stand in the way of the growth of production, even if this should happen to be unusually rapid. If means of payment are not supplied to a sufficient extent, and if therefore the general level of commodity prices is lowered, the rate of progress unnecessarily reduced, and a world-wide economic depression caused, the responsibility must lie in the insufficiency of the supply of means of payment."

This is what Gustav Cassel says as recently as the 10th of last month. The contraction of currency policy has been followed for a long time. Last year it was 10 crores, this year we have gone in for 34 crores. India would have no grievance if this were justifiable on the grounds of finance only, but we see that it is justifiable only in order to keep up this unnatural 1s. 6d. ratio. It is because we cannot issue sterling Bills as we used to do in former times, it is because you have got to meet your Home charges and other English expenses from sterling borrowings that you have been manipulating the currency here to keep up the exchange. The natural result of contraction of currency is to appreciate it into other currencies. When you deflate a currency you cause the exchange to fall against other countries. Therefore it is more with a view to keep up the exchange, that this deflation has been carried out than for any other reason.

I should like to say a few words about the Ways and Means Budget. The general rule in the Ways and Means Budget has been to give wrong figures. From the figures of 1929 I find that the estimated figure was 48·1 crores while the revised figure was 81·73 crores. In 1930-31 the estimate was 49·35, but the actual figure as revised is 86·9. Instances could be multiplied that it is the custom, and not the exception, that Ways and Means figures are always wrongly given. I would also say that figures of sterling borrowings are never correctly given in the Budget. It will be seen from the speech of the Honourable the Finance Member that the sterling borrowing was nearly double in the year 1929 as well as in 1930-31 from what was stated before in the Budget. We have never been given the correct figures of our requirements, and the borrowings too have been rather abnormally large. Our opening balance on the 1st of April, 1929, was 9·20 (I am quoting from the Budget) whereas we are closing this year, according to the Budget, with a closing balance of 25·76—an increase of 16·56 crores in the cash in hand. These are the policies of Government in the Finance Department that have brought distrust in the mind of India. India thinks that her interests are not as honestly safeguarded as other countries are. With regard to our English balances too the same thing has to be said. Although we have not been able to send out remittances from India we have met all our home charges from the borrowings in England; very little, if at all, is sent from here. The opening balance there, according to the revised estimate, has increased by 1·52 in the space of one year. There is another aspect of sterling borrowing on which I wish to say something, and that is about the method of borrowing. Sir Arthur McWatters stated in reply to my Resolution that we get an opportunity of scrutinising the Budget figures. The Budget figures are never correct, as I have just pointed out; the figures are wrongly given, and still it is said that we have got a right of scrutiny. Further, the sterling borrowing has always been hidden from the Ways and Means Budget. Out of 112 crores that have been taken in so far, I think the prediction has not been for more than about 50 or 60 crores. We suffer a great loss by taking sterling loans in view of the fact that we cannot charge any income-tax on that. Our interest on rupee loans is subject to

income-tax whereas all our expenses in England are beyond it. The English Government itself charges income-tax from foreign income, but in India we are debarred because we are a subject country.

I would also point out, Sir, a set of figures which show how far the Reforms have been run at a loss ; Reforms have been made a guise to increase our expenses normally. I would point out that, in the first place, the Customs income was about 10 and odd crores in 1913-14, it went up to 20·8 in 1919, the year after the war. In the year 1921-22—the first year of Reforms—our income from Customs was 34·41. Now in the Budget figures it is 54·47. In other words, there is an increase of 540 per cent. from 1913-14 (the last pre-war year) and an increase of 60 per cent. from the time that the Reforms have been introduced. The incidence of taxation of customs duty was something like 8 annas before the war, and at the time of the Reforms it was Rs. 1-4-0. Now it falls about Rs. 2-4-0 per capita of the population. We are paying for Reforms, so to say, with our blood.

As regards civil administration—the spending department of Government which is the pet-child—this has increased enormously too. We were spending 7·96 in the year 1920, after the war. It increased to 9·40 with the introduction of the Reforms in 1921-22 ; and now it stands at 13·16. In the year of grace 1931-32 what do we find in other countries. In England we find that the civil administration expenses are going down year by year. In 1923-24 I find that £317 million were spent on civil administration whereas in the year 1929-30, for which I was able to get figures, it was £223 million—a reduction of about 30 per cent. in the actual expenses. This is the condition of the country that has got the administrative responsibility to itself ; but in India we find that the inertia of irresponsibility has attacked everybody. The contraction that has been going on has gone so far that our income from the Currency Department was 3·32 for the year 1921-22. Now on account of the deflation and contraction of currency it is less than 2½ per cent. of what it was at the introduction of the Reforms ; it is now ·08 crores. What is strange is that whereas we are being called on to pay enormous rates of interest—6½, I find from the Honourable the Finance Member's Speech, paragraph 27—that our income from the Gold Standard Reserve is going to deteriorate to the extent of 54 lakhs. Whereas everywhere we are being asked to pay more, when it comes to the question of our own income from investments, our investments are so very badly made by those who are responsible for it that it is actually falling. And yet it is said that the Finance Department is working the Indian Government in the interest of Indians and not in the interest of the Britishers. I wish to point out an *anomaly*. Our export and import trade is being killed. Between the years 1925 and 1929 I find that our exports have fallen by 63 crores and our imports by 55 crores, a total loss of about 118 crores. As regards income-tax, here you have a horse that bears the greatest burden. It is a beast of burden and you think you can increase its load by any amount you like. The income-tax has been increased from five to nine pies. The Honourable the Finance Minister has taken out from the waste-paper basket the Taxation Enquiry Committee's Report and has followed it, without admitting his indebtedness to it. The nine pies limit was recommended by Sir Charles Todhunter's Committee. They recommended also the fixation of the super-tax limit at Rs. 30,000. These two things have been taken out from the Taxation Enquiry Committee. But the Government have disregarded the verdict of that Committee so far as sugar is concerned. The Taxation Enquiry Committee said that the increase of taxation on sugar has shifted the burden of taxation from the middle classes to the poor people of the country. Therefore they recommended that instead of being increased, it should be

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decreased. But what advice is to the advantage of the Finance Department is always accepted, and when the advice is to reduce the income, it is always disregarded. As regards income-tax, I wish to say that in the beginning of the year 1921-22, when the Reforms were introduced, the income from income-tax was 18·74 crores, with the rate ranging from 5 pies to 16 pies in the rupee and 4 annas as the maximum of super-tax. The trade has so far deteriorated and been ruined that with 9 pies as the lower limit and 26 pies as the higher limit, and with the super-tax raised to 6 annas and 3 pies, still we do not hope to have the same income as we had in 1921-22. Our rates of income-tax and the general incidence of taxation have gone up by nearly 65 per cent. and yet our income is less than what it was in 1921-22. This shows how far our trade has suffered. We are being ruined. Agriculture, which is the main source of income of the whole of the country, is deteriorating. The condition in the villages is really miserable. Still the Government has got the hardihood, I should say, to impose additional taxation. The real remedy does not lie in small retrenchments. The policy must be changed. The policy of the English Government in India—what they call in economics as increasing the standard of living—that has been responsible for all our ills. The Indians have not got the income of the European countries to afford to spend the same amount. Ours is a poor country, and our show should be run according to our income and not according to the income of other countries. This is the basic mistake that was made by the Government and the country. Not only the Government but our Legislatures also are responsible for this. They increased the rates of pay everywhere and they have followed the precedent of the Western countries without regard to our income. It is here that the initial mistake was made. Indian expenses must be brought down to the level of India's income, and no amount of retrenchment will effect this unless you change the real policy.

Now, Sir, I wish to say a few words about the Army.

THE HONOURABLE THE PRESIDENT: Order, order. I hope the Honourable Member will be able to conclude his remarks shortly. I would point out that, though a self-confessed layman, he has considerably exceeded the time occupied hitherto by any other Member.

THE HONOURABLE MR. ABU ABDULLAH SAIYID HUSSAIN IMAM : I would take only two minutes, Sir.

About the Army I wish to say only one word to the great credit of the Government of India when it was irresponsible to the Legislature. I would read out the despatch. I have got to say nothing more. The despatch in question is dated 8th February, 1878, and it lays down that the Army charges should not be decided :

“ By mere rules of arithmetic but on broad and statesmanlike lines of public policy which shall fairly adjust the claims of England to the capacity of India, so that the people of India should not have reason to feel that they were being treated by Great Britain with want of justice or generosity.”

That is the spirit which ought to actuate the English War Office in its dealing with capitation and transportation charges. The introduction of the short service system has done much to increase the cost of the Army in India.

THE HONOURABLE SIR MANECKJI DADABHOY (Central Provinces : Nominated Non-Official): Sir, even the most stalwart opponent of this

Budget cannot help offering deep sympathy to Sir George Schuster in the difficult and unenviable position in which he has been placed this year. A Budget which shows a loss of over 13½ crores in the current year and a prospective deficit of 18 crores cannot be contemplated with equanimity. In a speech of great lucidity the Finance Member has fully explained the genesis or the main causes which have led during the last 12 months to this great deterioration in the revenues of the Government of India. With regard to that genesis I fully concur. It has been partially due to world causes and the heavy fall in prices and partially due to the fall in the purchasing power of the country and in a great measure due to the civil disobedience movement which has worked ruination and brought disaster and distress to this country.

THE HONOURABLE NAWAB KHWAJA HABIBULLAH (Bengal : Nominated Non-Official) : That has ceased to exist now.

THE HONOURABLE SIR MANECKJI DADABHOY : Happily, that has now ceased and we shall therefore not cry over the split milk. We shall now try to consider what is the best method of rehabilitating our resources and bringing a proper equilibrium in this year's financial statement. I am very pleased that in a year of such distress—I may say this is an absolutely unprecedented year—the Government of India have shown their earnestness and their sincerity by making efforts to reduce the expenditure of the Government of India. Had it not been for this action I should have felt very little sympathy for the proposals of the Government of India this year. But fortunately they have started the year with praiseworthy efforts towards economy, a reduction in expenditure to the tune of 273 lakhs, of which nearly 175 lakhs have been in the direction of the reduction of military expenditure. Year after year I have heard it announced in this Council of State by the Commander-in-Chief that it was impossible to reduce any further the military expenditure. In 1928 a stabilised budget of military expenditure to the tune of 55 crores annually was settled for a period of four years. Last year, which was a very lean year, when this Council pressed for the reduction of expenditure, His Excellency Sir William Birdwood stated that it was not possible but this year it is a matter for gratification that even such an obdurate Department as the Military Department has come to realise the difficulties under which we are suffering, and has shown its earnestness in the matter by making a substantial reduction. Our thanks are due to His Excellency the Commander-in-Chief. I do hope, Sir, that military expenditure will eventually be reduced to 50 crores, a figure which was settled and vigorously recommended by the Incheape Committee. That Committee in 1920 insisted on military expenditure being reduced to 50 crores of rupees. I have heard a great deal said in this Council against effecting such drastic reduction, but I feel certain that if a little more earnestness is put into their efforts by the Military Department, and tactful pressure is also put upon them by Sir George Schuster, that Department will eventually come down to the figure of the Incheape Committee with the continuous and steady fall in the price of foodstuffs and military equipments.

Another matter of satisfaction is that Sir George Schuster has earnestly cut down the civil expenditure to the tune of 98 lakhs of rupees. I must with gratitude acknowledge his action in this direction. At the same time I must state that I am not quite satisfied with the volume of reduction. The pruning knife ought to have been applied more ruthlessly in many civil departments of Government, and if the statement made by my Honourable friend Mr. Browne this morning that the Finance Member in the other House has stated that it is impossible to make further economies is true, then I

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must state that I am terribly disappointed. I think that in the matter of a cut in salaries, which he explained with much care and clarity, his remarks are open to some criticism. Sir George Schuster has stated that it is not possible to make any further cuts in the salaries of employees in civil departments in a great hurry. He has pointed out also that the total expenditure under this head, both provincial and central, is 57 crores, of which only 16 crores is the expenditure incurred by the Government of India, and even if it is possible to make a 10 per cent. cut throughout the Government of India and the provinces it would only yield a saving of 160 lakhs and he thinks that that will not make a revolutionary change in the finances of Government. I am of opinion that it is not the small amount of money but the policy underlying such action which is of consequence. It would be a great incentive and help to others if the Government of India took a lead in the matter and courageously went in for a policy of 10 per cent. reduction throughout the entire cadre of the services. It would be a good lead to business people generally to carry out a similar reduction in wages. I think the salvation of this country depends only on scrupulous economy and reduction in the wages in this country. Considering that the prices of commodities have considerably fallen and considering all the other economic factors, I think it is now necessary for India to go in boldly for a policy of wholesale retrenchment. In this connection, Sir George Schuster has referred to the proposed appointment of the Retrenchment Committee. Personally I feel that very little good will result from the work of this Committee. I must ask Sir George Schuster: Is a Retrenchment Committee absolutely necessary? Did we not have a Retrenchment Committee presided over by one of the most able of businessmen, Lord Inchcape, and otherwise composed of the very best men? Their report was published in 1923. May I ask, Sir, has the Government of India carried out all the recommendations made in that report? Not a bit of it. The Government of India have still before them a most careful and able report of that Retrenchment Committee, which went into every department of civil and military expenditure and made several cogent and substantial recommendations. Those recommendations have not been carried out as yet. If the object of this proposed Retrenchment Committee is to placate the Legislative Assembly and reconcile them to the imposition of new heavy taxation it is another matter.

(At this stage the Honourable the President vacated the Chair, which was taken by the Honourable Mr. K. B. Harper.)

But if the real aim and object of the Government of India is to obtain substantial help and assistance from this new Committee, I am constrained to state that the Government of India will be terribly disappointed. Another danger, which has not been probably realised by the Finance Member, is this. There may be the trouble of overlapping recommendations, or recommendations may be made which may conflict with those previously made. I therefore think, Sir, it is not advisable to appoint a Retrenchment Committee. I am also not satisfied about the proposed constitution of that Committee. My friend Mr. Browne has only inadequately referred to that and he has insisted that there should be one Member of this Council on it. I shall not dilate on that point at any length. I have no desire to be a member of that Committee, but at the same time I must state that the Government of India during the last five years have consistently ignored the Council of State, and I can cite instance after instance in which this Council, which has always lent support to Government and which has been its main prop has been ignored in the past, and as long as

I maintain my seat in this Council I shall always fight for the dignity, the traditions and the premier position of this House for the consideration of Government. Sir, another matter is, as I understand the present composition of the Assembly—they are very estimable men, I speak without any disparagement of the great men there—but most of them are not business men and they are hardly likely to help in the solution of these important retrenchment problems.

Sir, as regards the general nature of the proposed taxation, I must confess that it is a very very difficult proposition, and yet I must acknowledge the great ability and the vision and foresight with which Sir George Schuster has performed his duty. I would acknowledge readily that the measure of taxation is evenly distributed. It is not applied to one class or one race of people. It is administered with evenness of justice and with a great measure of forethought. But I must at the same time state that some of the taxes which have been sought to be imposed are likely to cause a great deal of hardship, and if I give my support to the Finance Bill which will come on shortly for discussion, I will do so because I feel that we are passing through most terrible times and that this heavy deficit has not been the seeking of the Government of India; it has been brought about by various factors and causes which they could not have contemplated or foreseen, and that it is the patriotic duty of every loyal citizen to support the Government in this state of trial and difficulty. It is that conviction alone, Sir, that will enable me to give my support to this high and oppressive taxation this year.

I have no time at my disposal to deal critically with many forms of additional taxation, but I congratulate Sir George Schuster on having increased the general revenue customs duties under certain heads from 15 to 20 per cent. I have been fighting for many years in this Council that the proper and surest way of obtaining revenue for the Government of India is by the enhancement of customs duties. Indirect taxation is relatively very lightly felt, whatever may be the volume of taxation, and in India the general level of revenue duties is distinctly low. If you compared the customs duties in India with other countries of Europe, India will compare most favourably, and I am therefore glad that the enhancement has now been recommended. However, I must declare my disappointment and regret that the duty on kerosene oil has been enhanced. Last year that duty was heavily raised. This year for the second time within a period of 12 months that duty is seriously raised. Very few people know—not of the great towns, but of the distant villages—how in millions and millions of hamlets the daily worker retires in the dull evening of his life with a dim *chirag* burning in his house, which gives him very poor consolation. I therefore do request my friend Sir George Schuster that if he can get that revenue elsewhere, he should do his very best to remove the additional taxation on kerosene oil and replace it by some other less oppressive form of taxation. In this connection I may also state that Sir George Schuster has readily admitted that some of this new taxation must permanently continue unless it is substituted by other forms of taxation. I may inform him at once that for this purpose the Taxation Inquiry Committee was appointed long ago in 1924 and they have suggested numerous methods of evenly distributed systems of taxation. The Government of India have shelved the report of the Taxation Inquiry Committee. It was not even allowed to be discussed in this House and the Government of India have failed to adopt any measures in connection with the numerous recommendations of that body which would help to distribute the present taxation more evenly and equitably and which would reduce the severity of the existing forms of taxation. I do hope that an early opportunity will be taken by Government to

[Sir Maneckji Dadabhoy.]

go into this matter. My friend in his speech has also indicated that an inquiry will be made in the matter of tobacco, in the matter of matches and in the matter of death duties. I do not think for a moment that this country will ever agree to the imposition of death duties ; it would cause a revolution in the ordinary joint coparcenary life of Hindus in this country. I do not propose to refer to that matter at present. But as regards tobacco, matches and other sources of revenue, I think there will be a great scope for Government to move in those directions. As regards the sugar duties, I understood there was some opposition here, but I am convinced that this is not going to affect seriously the interests of even the poorer classes. There has been this year an abundant sugar crop in Java. The price of sugar has this year come down, and further it will be absolutely necessary to give some measure of protection to our struggling sugar industry. I therefore entirely support my friend Sir George Schuster's recommendation in this connection.

I shall only refer now to one other matter as I have no time to go into other questions, and that is the question of income-tax and the carrying forward of previous year's losses. As regards the income-tax, the general revenue is to be freshly augmented to the extent of 5 crores. In the last few years, both income-tax and super-tax have grown tremendously and beyond the capacity to bear them, both in this country and in England. The proposed rate of taxation will very nearly reach the extent and severity of British taxation. I quite agree with the remarks made by Mr. Browne and one or two other Honourable Members that the Government will ultimately be confronted with the law of perishing returns. That is a position which must ultimately arrive and which the Government could not possibly avoid. Even last year there was a deficit of over Rs. 2 crores ; Government collected Rs. 2 crores less than they expected to recover, and I shall be very gratified and I will congratulate my Honourable friend Sir George Schuster if he will be in a position to collect that colossal amount. All the same I entertain serious misgivings. But if I give my support and sanction to that measure of heavy additional taxation it is on account of the distinct assurance given by Sir George Schuster in his speech that it need not be necessarily permanent, and he will endeavour to make the burden less oppressive before long. However, I must point out that it will not be possible for him to collect the revenue ; it will handicap all trades and industries in this country, it will handicap all business houses, etc.

1 P.M.

(At this stage the Honourable Mr. K. B. Harper vacated the Chair, which was resumed by the Honourable the President.)

As regards the carrying forward of losses, I am very sorry to note that my friend Sir George Schuster has adopted a somewhat disappointing attitude this year. Probably this colossal loss of this year has damped his ardour, and he has imposed two conditions : One is that subject to the revenue forthcoming the proposition may be entertained and the other is that he has invited an expression of public opinion on the matter. As regards the first condition I am prepared to accept it, because nobody would think of asking that the loss should be allowed to be carried forward in a year like this. He has also stated that if Government go in for redressing three or four years' losses it will amount to a huge loss of revenue. I urge that is not the way of viewing a question like that. If justice demands, if the principle is right that the previous year's losses must be taken into consideration, no amount of loss in the fiscal revenue, no amount of deficit ought to prevent Government from meting out justice to a class of people who are the principal pillars of support to this country. My friend Sir George Schuster said he will consult

the country. There is no such necessity to consult the country. The country has been consulted, and has given its definite opinion. I would like to refer to a passage from the Report of the Indian Taxation Enquiry Committee. It seems to them that the substantial justice of the claim to be permitted to set off cannot be denied. But they recognise the necessity, in Indian conditions, for a strict limitation of the concession and for hedging it round with conditions. Their proposal is that a loss sustained in any one year should be allowed to be set-off against the profits in the next subsequent year only subject to the condition that any assessee who claims to have made loss must prove the fact by producing accounts as soon as possible after the close of the year in which the loss has occurred. That is the situation, every country in the world has recognised this just and equitable principle—England has recognised it—and I do hope that when the economic position improves in this country, my friend Sir George Schuster will see his way to do this bare act of justice.

I have concluded now, Sir. All I desire to say, Sir, is that despite a great many disappointments I have nothing but admiration for this Budget, for the manner in which the duties have been fairly and evenly laid. We must all make a sacrifice, bear, suffer, and carry the burden, and as far as I am concerned, in these difficult times, I am prepared to carry a share of that burden on my shoulders, and I hope this Council as business people and practical men will not give any serious opposition to the Finance Bill.

THE HONOURABLE SIR DINSHAW WACHA (Bombay : Nominated Non-Official) : Sir, after a brief spell of prosperity for four years Indian finances have again been overtaken by a heavy deficit of 13 crores. But, Sir, I would ask Honourable Members, especially those who are new to this House, to remember that only 8 years ago there was a colossal deficit of something like 99½ crores, chiefly in consequence of the aftermath of the War. But such was the elasticity of the Government of India as far as its resources then went that even that deficit they were able to meet. And I am quite sure that as far as the present deficit is concerned means will be soon found whereby the Budget may be balanced in the future. It should be remembered that deficits more or less have been the characteristic of Indian finance—not to-day, not yesterday, but for the last 50 years! Somehow or other it seems that Dame Fortune, a fickle goddess as you know, has been unfavourable to the Government of India, so far as her finances are concerned. The number of years during which we have had some surplus are few, but the number of years of deficits have been many. There was a time, in olden times, when there was diminution of opium and revenue receipts; at another time there was war, pestilence and famine, disturbing the balance and bringing in deficit; another time it happened that low exchange and expeditions to the frontier proved more or less burdensome and even abortive, and even at a later date there was the dismal dirge of "Gamble in rain". Thus things have been going on for the last 50 years in matters of finance. And, so far as my knowledge of Indian financial history extends, I am not at all surprised at our present deficit, having regard to two broad facts which have been brought out by the Honourable the Finance Member in his speech, namely, the great unprecedented fall in the price of commodities all the world over; and, secondly, and chiefly, the disturbance and commotion in this country itself which has contributed to the loss of revenue from which it has suffered. That being so, I hope that every Member who has read the speech of the Honourable the Finance Member carefully would congratulate him on the very sagacious and prudent way in which he has presented the

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Budget. It may be that critics may criticise his speech. There are critics and critics ; there are critics who are constructive and there are critics who are destructive. In my experience, I have found that there is more of destructive criticism than of constructive criticism in the Legislatures. Indeed, the former is more the rule than anything else. But hearty co-operation and suggestions of a really sound and practical character for improving the financial position are, I regret to say, absent. That, I consider, is really a great deficiency on the part of all those who take a share in the discussion of many a topic in the Legislature. The fact is this : that as far as finances are concerned there are hardly Indian Members enough, well informed and grounded in the first principles of finance in either House to co-operate with the Government. The primary requisite for them is to know the history of finances of this country for a pretty long period, if they are to speak and criticise usefully the finances of a particular year. This lack of grounding is a great drawback. However, Sir, people are, of course, growing more democratic but hardly in the right spirit. Whether democracy will ever bring in a better situation of Indian finances than that which has prevailed in the time of autocratic Government is a question which, to my mind at least, is problematical. More and more expenditure will be the future of that democracy. It will in my opinion lead to larger or gaping deficits. However, leaving alone that question, I come to the subject proper of this Budget. Of course, it is a Budget of deficit. But the Finance Member has ably shown how in the future reasonable additional revenue should be found to stem the tide of deficits. Our resources presently being very inelastic, he has shown the way whereby in the future we may have larger resources to meet the larger demands which will undoubtedly arise. If you attentively read paragraph 60 and onward of his speech, you will be able to see through and through that this Budget is not only a Budget for the current year, but it is a Budget in which there are prospective changes proposed which are certain to prove helpful and useful to his successors in the Department of Finance. We must considerably improve the sources of our finances and I heartily congratulate the Honourable Sir George Schuster on his courage in showing the ways and means to achieve that object. The condition now prevailing cannot be changed at once. But if we go on patiently supplementing such resources and if we heartily co-operate with the Government of India and persistently make efforts to put Indian finances on a broader and sounder footing, then I think the days of deficits in the future will be rare.

Now, Sir, there are two changes in taxation. They are with regard to the customs duty and the income-tax. I take the income-tax first. Very many gentlemen here, including my friends the Honourable Mr. Mehta and the Honourable Mr. Browne, have already referred to the very great burden of taxation that is being imposed upon commerce and industries by the proposed enhanced income-tax. I admit that it is a great hardship ; but it cannot be helped. Very many people say that the Government of India, by this change, and by increasing the yield of the income-tax on all sides, are killing the goose that lays the golden eggs. That is to say, commerce and industry bring all the wealth from which income-tax is obtained. If the Government want to kill that goose, what will happen ? Well, Sir, I hesitate not to say that the Government will do well to refrain from killing this golden goose. Let them follow the sound advice and suggestions offered so that the Finance Member may be able to fatten the goose so that it may lay a larger number of golden eggs. I admit that as far as the small income-tax payers are

concerned, it will be a great hardship on them, and I do appeal to the Finance Minister and say that as far as incomes from Rs. 2,000 to Rs. 5,000 are concerned, the proposed increase of 4 pies which is equivalent to 80 per cent., should be greatly *reduced*. It is too much for people getting Rs. 100 to Rs. 150 a month, with the cost of living still sufficiently high to maintain themselves. I do hope that the Finance Minister may be able to see his way to reconsider that part of the taxation. As regards the other taxes, the Finance Minister has himself adopted the old but most sound principle of taxation of Adam Smith, "tax according to the ability of the tax-payer". Sir George has followed it. The average of the whole system of the proposed increase as to the higher grades no doubt is 2 or 3 or 5 pies. There is no need to disturb it. I do admit that there is a hardship, but of course, at certain times, sacrifices have to be made; and this is a time when we must make sacrifices if we are to improve our financial position in the future.

Then, Sir, coming to the method of meeting the deficit. Retrenchment Committees are very good in their own way. But my experience of these Retrenchment Committees which have been appointed now and again by the Government of India for the last 50 years is that they are more or less fruitless. They do next to nothing. The Elliott Committee, the Incheape Committee and half a dozen other Committees have been appointed in the past. What solid achievement has resulted? The Retrenchment Committees propose and the Government disposes. There is a kind of Sisyphean labour going on for the last 50 years. Retrenchments may be made to-day; perhaps economies may be made for another year or two; but thereafter expenditure grows, aye, at a faster speed to neutralise the economies! What are we to do? Therefore it is of no use complaining about this constantly growing expenditure. There was a critical time when the Elliott Committee was appointed. It toured the whole country from place to place....

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: What year?

THE HONOURABLE SIR DINSHAW WACHA: I think it must be in 1880 or 1881.

THE HONOURABLE MAJOR NAWAB SIR MAHOMED AKBAR KHAN: Prehistoric times. (Laughter.)

THE HONOURABLE SIR DINSHAW WACHA: Aye, but don't laugh. You people may laugh, but the man who laughs last laughs best. The Elliott Committee went about and they did make retrenchments of a sort but with no permanent results. The Incheape Committee also made retrenchments. What is the result to-day? That is not "prehistoric", is it? Therefore, I say that Retrenchment Committees may do something, but not much, particularly with regard to military expenditure. Now, I must say without being deemed egotistic, that I was the first in 1885, when the first Congress was held in Bombay, to speak elaborately on this question of the then existing large military expenditure. I pointed out that the whole root cause of the large military expenditure in India was the vicious and ruinous amalgamation scheme of 1859. This amalgamation scheme was instituted for the purpose of amalgamating the Queen's troops and the Indian troops. In 1859 many of the experts in the Houses of Parliament vigorously protested against that scheme as most burdensome for India but to no purpose. The Act was passed and is still in force, and it is this Act which is working so much

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against us as far as the military expenditure is concerned. Those who have read the old report of the Indian Finance Committee which sat from 1873 to 1874 and learned therefrom what Professor Fawcett said in the House of Commons is true even to-day. He asserted that it is a partnership between England and India. India is poor. England is rich. But by a curious irony of fate the two partners are made to share all the expenses. Parliament decreed, namely, that India and England should bear all the expenses arising from the amalgamation scheme. Fawcett said :—Suppose there was a gentleman very rich, who kept the house, and took in a partner whose income was negligible—nothing to compare with that of the rich man. Suppose that the joint expenditure incurred came to £1,000. The rich partner could afford to pay his £500, but the poor partner could not afford to pay even £50 ; and yet the apparent inequality is allowed to continue to this day. That is the position of India. This amalgamation scheme, this mischievous scheme, is the root cause of all this onerous military expenditure, and unless the amalgamation scheme is repealed or modified no improvement need ever be expected. The Government of India have themselves appealed times out of number to the Government at home, say, from the time of Lord Ripon, but to no purpose ! The Government of India is absolutely helpless. More than half a dozen Committees of the India Office were appointed from time to time. On one of these Committees, Lord Northbrooke, a Viceroy, who had great experience of the burdensome character of the military expenditure, presided. What was the result ? The War Office fought and fought and every time a Committee was appointed the War Office was triumphant ! It has triumphed for the last 100 years and it will go on triumphing and foisting an inequitable burden on India unless you have got the strength to get this amalgamation Act repealed or modified. Last time, when I brought a Resolution in this Council in 1925 on this question of repeal, I spoke at great length on this subject, and my friend, the late Lord Rawlinson, turned it down for certain reasons which I could not controvert. He asked me afterwards to meet him in order to explain that he could do nothing, and that he was helpless. He said he was bound down by that Act. They could do many things if the amalgamation scheme was repealed and a modified scheme suitable to the present conditions of India was adopted. Since then I have despaired of any material reduction, at any rate so long as the War Office is allowed to continue its rapacity. The Government of India are powerless before that oligarchy. There are the records of the Government of India, and their despatches to the Secretary of State on the subject which those who run could read. They have persistently insisted on this expenditure being reduced, but it cannot be reduced. They are all helpless. It is the War Office which is the dominating factor. That is the reason why this military expenditure is so great.

Having said so much about this burning topic I now come to the customs duty. So long as customs duties are raised for revenue purposes they are all right. Nobody can complain. But since India has got what is called “fiscal autonomy”, owing to the recommendations of the Fiscal Commission, what has happened ? They are all crying aloud for protection, protection for everything, protection for cotton, protection for steel, protection even for gold thread and so on !! But nobody seems to understand, not even the Tariff Board, what are the many *unseen* evil consequences of protection at present and in the future. These high tariffs and protective duties are mischievous and are an unbearable burden on any society. A great Professor, Professor Taussig, a distinguished economist, has said, by all means have reasonable tariffs and protective duties for *infant industries*, to support them in their initial

stages. But having supported them for five or ten or fifteen years, when they are able to stand on their own legs without state crutches, such protective duties should cease. What is presently happening is that we are continuing protection on certain industries when none should be allowed. All protective duties have a tendency to become in time *monopolies*, and you know what monopolies are. They mean putting money into the pockets of the powerful who are for their own class interests. The Government of India is not supposed to support any class interests; all interests are equal. If that be the case then all these protective duties should go. Instead more and more protection is being given. Where it used to be 5 per cent., it is now 10, 15 or 20 and 30. You may say what you like about other countries being protectionists of which the United States is the chief. But even the United States, a powerful and rich country, is grievously suffering from the effects of a high protective tariff. There are many now in the American Senate and House of Representatives who are protesting against high protective duties. Therefore, I say that protection in the long run is always mischievous and most prejudicial to the interests of the ultimate consumer. And who is the final consumer? It is the masses, the poor who live from hand to mouth. Those are the people who suffer. In the long run, it may be in 50 or it may be in 100 years, the evil consequences of such duties will be realised in order to be universally condemned. Please remember that Nemesis will overtake such protection at last. Revolutions are taking place to-day in Russia and elsewhere—revolutions of the oppressed and *tariff-ridden* masses against centuries of mischievous exploitation. I believe that Honourable Members will have cause to remember what I now say. There is a little parody on this craze of protection. "From Himalayas' icy mountains to Comorin's coral strand", they cry "protection, protection, protection", till every village and hamlet and *taluka* cries "protection". Very well, if India wants to be protected in that way, by all means have it. But that will never bring prosperity. But be sure that in the long run India will be ruined. You will remember my words. I may die to-morrow, but what I say to you is the truth. I am a convinced free-trader. I have said and do not hesitate to say that if the India of the future is to be prosperous it is better to make it a *free trading country* as it once was for some years after Lord Cromer had established it. India prospered and prospered magnificently during that period. I believe that if the future Government of India worked on those lines, standing for free trade and the open door for everybody to come in, India will gain strength enough to fight the world and to build up her own prosperity on a permanent basis. It is the only economic solution. It is of no use indulging in denunciation and destructive criticism. What is wanted to-day is hearty co-operation with prudent statesmanship. Co-operation will work a miracle; destructive criticism only leads to nothing. So far I can see here very little of constructive criticism. Nothing practical has been suggested which will induce the Finance Minister to alter his Budget? I doubt it. It may be that it is thrown out in the other place. But that will not improve the financial position at all. Let us therefore put our heads together and see how far we may improve the Budget if not for this year, say, for the next. We are supplied with a most useful memorandum prepared by Sir W. Layton which the Round Table Conference Committee on finance would do wisely and well to utilise for the purpose. Of course, there are certain suggestions which, I fear, are not practical.

To conclude. I think, Sir, that Sir George Schuster has done a real service to India by preparing the road to future improvement. Honourable Members, I take it, have carefully studied also his monograph on the silver duty.

[Sir Dinshaw Wacha]

"They would, I feel sure, approve of the policy the Government have hitherto pursued in regard to it. There are people in the United States who want to put money into their own pockets and let all the rest starve. That is not the policy of the Government of India who look to the interests of the masses. I must congratulate Sir George Schuster on the courage he has displayed in denouncing the United States and for the sound policy he has laid down in that monograph. I think, Sir, that every Honourable Member of this House will eventually congratulate Sir George Schuster on the very able and sagacious financial statement he has framed. (Applause.)

THE HONOURABLE DIWAN BAHADUR G. NARAYANASWAMI CHETTI (Madras : Non-Muhammadian) : Sir, I shall not take much time. I congratulate the Finance Member on the excellent exposition of the Central Government's Budget which he presented to both the Houses the other day. I cannot but agree with him as to the causes of the present depression in trade. He has rightly mentioned that internal trade has suffered on account of political disturbances. Anyhow it is permissible to hope that better times are ahead of us and that the prosperity of India will steadily increase. There are however one or two things which I do not agree with in the Budget proposals. As regards the increase in income-tax, that will badly hit the petty traders, and it will also affect the middle classes. Then, Sir, take the case of people who are getting their income from landed properties and some trade. They are paying taxes on their properties, and they have to pay also income-tax on the rentals received. We do not know what to do, but still the Finance Member comes here and says, "We are going to raise the income-tax of people getting Rs. 10,000 and lower". So far as the super-tax is concerned, I do not object to it, and I know that it will affect people who are drawing large salaries ; and they will be able to contribute without much difficulty. The other question on which I agree with my Honourable friend Sir Maneckji Dadabhoy is about the tax on kerosene. This will affect the poor classes. I wish very much that at this time Government should not in any way hurt the feelings of the poorer classes. It is necessary for every small cottage and every small house to have kerosene every day and I hope that those poor men will not feel that just on the eve of the great reform that we are going to have they have to be taxed a little more. I hope the Finance Member will be able to find some means to adjust this.

Then, Sir, coming to the question of retrenchment, I entirely agree with the various speakers that it would come to nothing. I have had the experience of working on such committees—not in any central committee but in a smaller sphere—and I found that nothing could be done really. It will take a good deal of the time of the members, to retrench. They have got to study and prepare, but nothing will come out in the end. Therefore I would only say that Government will not be wise in asking this Council and the Assembly to elect members to the Retrenchment Committee. After all, they may not have time ; you must have business men with a good deal of experience, but even then I fear that it will not be possible to do anything in the direction of economy. Let Government have a conference of provincial Finance Members and consider the abolition of certain appointments. Those things may be done. So far as the proposed Retrenchment Committee is concerned, I think nothing will come out in that direction.

Sir, coming to the military expenditure, I do not think I will be able to add anything more to what our revered friend Sir Dinshaw Wacha has

said. Therefore it would be impertinent on my part to say anything, except that I know that His Excellency the Commander-in-Chief is doing a great deal in that direction, but we only hope that he will do something more in the way of retrenching the expenditure. I have been hearing this question of military expenditure since my school days, and I do not know when this will be solved, but I hope the time is not far away. As I said, it will be highly impertinent to talk on this very old question—it will not be proper for me to go into it as I feel I am not competent to do so.

There is another matter to which I have to refer. Coming from the Presidency I represent, it is my duty to bring up the question of salt manufacture in Madras. Those unfortunate men who manufacture salt have not the privileges and conveniences which the other agriculturists get in the way of advances from Government during bad years. For the last three years the manufacture of salt has been very poor. Many salt pan owners have not been able to repay the loans taken and they cannot even carry out the little improvements that are necessary; and I am sorry to say that under the Salt Act if they do not manufacture for two years, their pans would be resumed by Government without payment of compensation. I am glad to say that I had an interview with the Central Board of Revenue the other day and they have passed certain orders recently cancelling the resumption by the authorities in Madras. That is a matter, Sir, in which I would like the Finance Member to interest himself, in order to improve the lot of these poor salt manufacturers in the Presidency of Madras, which I have the honour to represent in this Council.

I have nothing more to say except to congratulate the Honourable the Finance Member on the Budget in difficult times. I hope that very soon the heads of departments will be able to retrench effectively in their various departments. I do not believe in cutting the pay of these high officers. Already they are going to pay by way of income and super-tax. In that way we shall be able to get something, but I do not think we will get much from business men, even though they may have a successful year.

The Council then adjourned for Lunch till Twenty-five Minutes to Three of the Clock.

The Council re-assembled after Lunch at Twenty-five Minutes to Three of the Clock, the Honourable the President in the Chair.

THE HONOURABLE MAJOR NAWAB SIR MAHOMED AKBAR KHAN (North-West Frontier Province : Nominated Non-Official) : Sir, I regret to say at the outset of my speech that the current year's Budget is the gloomiest since 1921-22. We find deficits everywhere. There is a deficit in the Central Government, there are deficits in the provinces, there are deficits everywhere; and future prospects are even more gloomy. We hear, Sir, that we are getting Reforms in the very near future that would result in increase of expenditure, for there are to be some new provinces, with new establishments, and the provincial Councils are to be increased in size. When we find, Sir, that a further taxation amounting to 14 crores 82 lakhs is proposed to balance the current Budget, the introduction of the Reforms is likely to necessitate more taxation. But, Sir, taxation is supposed to be usually meant for constructive work and for the benefit of the country. Here, even taxes which were imposed on us after the Reforms of 1919, were not beneficially employed.

[Major Nawab Sir Mahomed Akbar Khan.]

Sir Walter Layton estimated that about 40 to 50 crores will be required for the expansion of the functions of the Government, in the coming constitutional changes. These 40 to 50 crores were to be obtained by increase of taxation, till 1940. He further suggested that by taxing incomes from foreign sources, by lowering the exemption limit, and steepening up the gradation, the Government could get 4 crores; provincial surcharges on income-tax would further yield 2½ crores, and at the end of 10 years, 2 crores. Now, Sir, this estimate was considered by the Government of India Despatch as optimistic, and yet the Honourable the Finance Member offers to raise 5 crores 7 lakhs from income-tax in 1931-32, and not in 1940 as was suggested by Sir Walter Layton. Besides all that, Sir, the Finance Member has still taxation on foreign incomes in reserve.

Again, Sir, Sir Walter Layton recommended, that the custom duty on liquor should be reduced to the standard rate of luxury goods, i.e., 30 per cent.; also that the provinces should be given the right of imposing further duties on foreign liquor in the form of excise. Although, Sir, as an orthodox Muslim I should welcome the prohibitive duties in order to make India dry, yet, as there are lots of other people besides me, and as revenue is a matter which has a future as well as a present, I suppose, undue straining would hardly be advantageous to us in the end. But, Sir, the Honourable the Finance Member exhausts this source by increasing the duty on beer by 60 per cent. and on wine and spirits by 30 to 40 per cent. That means, Sir, that all avenues of further taxation which could be employed for the maintenance of the new Government, and incumbent charges, are more or less blocked. It follows that for the coming years the Government will be run at a deficit and severe crises may result therefrom.

Secondly, Sir, I want to say a few words about the advisability or otherwise of increasing the tariff rate. I may here refer again to Sir Walter Layton's studied and expert opinion about the same. He says on page 222, Volume II of the Simon Report :

"The standard rate of duty of India's tariff, viz., 15 per cent. with 30 per cent. on luxury goods is already too high for a mainly agricultural country, and in some cases, rates are put so high as to be prohibitive. It is possible, he further says, that in a number of cases duties are already at or beyond the point of maximum yield and that more revenue might be obtained from a general lowering of rates."

That this was not a vain remark can be borne out by what Gladstone experienced when in a favourable year he lowered the tariff rate and found a surplus at the end of the year. Next year he lowered the rates again and found a still greater surplus. Lowering of rates, Sir, encourages trade and thus proves more wholesome and provides better opportunities and facilities for Government revenue.

The Honourable the Finance Member, Sir, proposes to raise the duty on sugar. Although the Taxation Enquiry Committee considered it as burdening the general population, yet, taken as a protective measure and as a source of income to the Government, it is a valuable head. Agriculturist India had three paying crops till very recently. Wheat has ceased to be a paying crop at present. If foreign competition succeeds in killing the sugar-cane crop too, the agriculturists will have only cotton left as a mainstay. I am sorry to say that in the North-West Frontier Province, on account of climatic conditions, they cannot have even the cotton crop. It is therefore highly desirable that the agriculturist should be encouraged so that he may compete on an equal footing with the Java producer. Moreover, Sir, as I have been

opposing the steepening of the income-tax and super-tax, I suggest that in order to compensate for the loss resulting from non-increase of income-tax and super-tax, a duty of Rs. 2-8-0 per cwt. should be imposed on imports of sugar instead of Rs. 1-4-0. The possible objection, Sir, that this duty would affect the consumer sorely, is met by the fact that 80 per cent. of the population are agriculturists, that is, producers. Moreover, if this industry dies out, the agriculturist will be crippled financially, and will be unable to pay the usual revenue. It will thereby affect the Government income permanently. Therefore, Sir, the agriculturists needs protection for his very existence.

The Honourable the Finance Member in paragraph 8 of his Budget speech points out that the fundamental cause of the depression is the divergence between the movements of prices of India's exported articles and imported articles. Is it not likely, Sir, and even certain that the raising of the customs wall will make matters worse for the general population by making the divergence still greater? For to-day, Sir, the agriculturist is getting lower prices for his goods than he has had for many years, and if he were not to get a corresponding fall in the prices of manufactured goods, imported as well as home goods, he would be hit very hard indeed. And this raising of customs, Sir, will in no way contribute to the fall of the prices of manufactured goods. If anything it will aggravate the cause of poverty.

Thirdly, Sir, there is the currency question. It is a matter which I do not lay much claim to know thoroughly much less speak about dogmatically; but, Sir, when the Honourable the Finance Member says in paragraphs 101—104 of his speech, in defence of his currency policy that it was necessary, in order to maintain stability of exchange whatever the level at which the ratio has been fixed, even a layman may ask, Why stabilize exchange at all when world prices are falling and falling sharply. Is it not a fact, Sir, that we allowed a rise in exchange when world prices were soaring and thus in a measure escaped the inflation of the world outside? Why cannot we do the same now, when the reverse is the case?

Fourthly, Sir, I would like to say something about the burden of taxation since the War.

(a) The additional taxes imposed during the War, *vide* the Budget of the years 1916-17 and 1917-18, go on as ever.

(b) More taxation was imposed in 1921-22 and 1922-23 to the amount of 48 crores 17 lakhs, to cover the deficits of the lean years of 1918—1922. This taxation for the most part still remains.

(c) When the exchange rate was raised to 1s. 6d. the Government gained in the matter of interest on foreign liabilities, etc., 5 or 6 crores of rupees. This amount has brought no relief to the tax-payer, nor has it been of any general advantage.

(d) Sir Basil Blackett in his Budget speech for 1925-26 said:

"The level of taxation is here much above the pre-war figure."

Sir Arthur McWatters during his evidence before the Currency Commission was asked the question:

"You think that taxation is undesirably high?"

He replied:

"I do."

[Major Nawab Sir Ma'homed Akbar Khan.]

(e) Again, Sir, hopes were held out by Sir Basil Blackett but nothing has so far been done to put into effect the policy announced by him. In paragraph 37 of his Budget speech of 1927-28, he says :

"Our general policy as regards taxation ought to be directed first towards a more equitable distribution of its incidence, so far as that may be attainable, with due regard to the other canons of taxation, and the abolition of those imposts which are obnoxious in principle, such as some of the export duties. And that when our finances permit, we should aim at a gradual reduction of taxation to a level, which will give some relief to the tax-payer and leave a larger margin available for the Provincial Government's needs."

These hopes, Sir, which he expected his friend and successor the present Finance Member would help to realise, unfortunately for India, ended in the deficit of 75 lakhs for 1929-30. Additional taxation was resorted to in the year 1930-31, yet the revised estimates show a deficit of 13 crores 56 lakhs. It is proposed that further taxes should be levied to the amount of 14 crores 32 lakhs while a net deficit of 17 crores 24 lakhs is expected for 1931-32. It appears from all this, Sir, that the horrors of peace taxation are greater than the horrors of war taxation.

(f) Again, Sir, to meet the deficits of the various provinces additional grants have been made, and yet only a very small amount has been spared for beneficent departments.

We are then given to understand, Sir, that the present unfavourable balance has a parallel in the world-wide depression and deficits in Government expenses of other countries. The British Government in England is said, Sir, to be running at a huge disadvantage. But, Sir, we should not forget that after the deficits of the years of war and subsequent years of heavy depression, when taxation was raised generally, the English Budget has been showing a distinct surplus. The *Economist* in its Budget Supplement of April 5, 1930—I have got it in my hands—says :

"The years since the war fall into three distinct periods : the three years from 1919 to 1921, the following three years from 1922 to 1924 and the five years of Mr. Churchill's Chancellorship. During 1919—1921, the nation was engaged in recovering its financial equilibrium, and the Budgets of 1920 and 1921 balanced as a result of the heavy taxation imposed in 1920 provide the measure of our success. The years 1922 to 1924 constitute the period of relief. The relief granted by the Treasury during these three halcyon years averaged no less than £50 millions annually."

Even in the years of Mr. Churchill's stewardship though the revenues had dwindled mainly in consequence of the coal dispute and its aftermath, yet the remissions of taxes averaged 4 million pounds annually. It cannot be denied, Sir, that the present Labour Government is running at a loss but, Sir, it is due, besides the trade depression, to the passage of social laws calculated to ameliorate the poorer classes. I am afraid, Sir, we find no such causes explaining the heavy deficits of our Budgets.

Lastly, Sir, in the matter of taxation, I may be permitted another word. India is an agricultural country. That is, the wealth or poverty of the people mainly depends on the prices of their agricultural produce. When the prices experience a general fall, does it not mean, Sir, that it adds of itself an increasing and real burden to the people paying the existing taxation? Taking it another way, Sir, it may be shown that the tax revenue from principal heads in 1921-22 was 64·77 crores, and the Calcutta Index Number of Prices was 178, whereas the tax revenue from principal heads in 1930-31 is 73·49 (according to revised estimates), when the Calcutta Index Number of Prices

was 101 in December, 1930. Measured in terms of the rupees of 1921-22, the taxation of the Central Government in 1930-31 is equal to $\frac{(73.5 \times 178)}{101}$, 129.5 crores, that is, it shows an increase of 99.8 per cent. since 1921-22. The figure of 1931-32, in the same way, would mean 152 crores, i.e., an increase of 134 per cent. Besides all this, Sir, the burden of public and private borrowing is increasing apace.

Therefore, Sir, I place a few of my humble suggestions before the House that an all comprehensive Retrenchment Committee be appointed which should consist of representatives of all departments. It should be able numerically to appoint under it Sub-Committees for different purposes. For example, the military expenditure requires reasonable retrenchment in the matter of supplies which have become very cheap these years. And then it should have among its members enough expert economists so that there should be at least one economist on each of the Sub-Committees.

Moreover, Sir, the increase in tariff rates should always be studied from the standpoint of the tax-payer, as he is the person who has to bear the burden in the end. Again, Sir, the stiffening of the income-tax and super-tax, although to the casual eye seems ordinary, is yet most oppressive in its effect. The rates have been nearly doubled to say the least.

And then, Sir, the Reforms. If we have to face a stunning and impoverishing loss in their introduction, it would hardly be wise to accept them in the form they are being given. Lastly, Sir, I resume my seat with the words that such a disappointing Budget, which is extortionate in its demands and deadening in its effect, has never been presented in this House before.

*THE HONOURABLE SARDAR SAHEB SULEMAN CASSUM HAJI MITHA (Bombay Presidency : Muhammadan) : Mr. President, I wish to offer a few remarks on the Budget for the year 1931-32 from the standpoint of a commercial man. I have read with careful and sympathetic attention the statement of the Honourable the Finance Member in regard to retrenchment, proposed taxation and his views on exchange and currency. I hasten to offer my hearty thanks for his proposals for retrenchment and the appointment of a Retrenchment Committee. With regard to his remarks on the subject of exchange, I wish only to say that the present ratio of 18d. has inflicted great hardship on the Indian commercial community and has destroyed its prosperity. It has ruined the agricultural population. With reference to the reversion of the ratio to 16d. I can only say that Indians cannot afford to make the sacrifices which are required to stabilize the rupee at 18d.

3 P.M.

I now wish to say a few words in regard to the proposed taxation. That it is not satisfactory goes without saying. But I do not blame the Honourable the Finance Member for it. The fault lies in the faulty system of the present costly administration which is hopelessly out of date. If that system had been revised in time, India would not have found itself in its present plight of bankruptcy.

It is my humble opinion that the new taxation will not lessen but will aggravate the present political discontent, and it is the duty of the Government to allay the prevailing unrest. India has been reduced to such a critical economic condition that its people are not able to bear the slightest additional

*Translation of the speech delivered by the Honourable Member.

[Sardar Saheb Suleman Cassum Haji Mitha.]

burden of taxation in any form or shape. Two causes are assigned by the Finance Member for the present condition: (i) the world depression in trade and (ii) the political unrest. It is natural that the world depression should affect Indian trade. But I emphatically say that our misfortune and the ruinous condition of trade and the severest condition in which we find ourselves entangled must be attributed to the administrative and military policy pursued by the Government. 80 per cent. of the Indian population is composed of agriculturists. They do not get the value of the produce which they send to foreign countries. Indian agriculturists find themselves in a sad predicament owing to the exchange policy which the Government have carried through in the teeth of popular opposition. The purchasing power of the agriculturists has been reduced. In consequence of the heavy increase in expenditure after the War, the country has been reduced to poverty. Unemployment and starvation have increased. Its industries have been crippled and for the last several years the commercial people have been carrying on their business at a loss. These factors have given an impetus to the political movement in India. I can say from my own extensive experience of commercial life that these political movements have been strengthened by the starvation that has overtaken the people. I cannot subscribe to the opinion that the people have been misled by the incitement of Mr. Gandhi and other political leaders. If there were enough food, enough employment, enough wages and enough means for trade and commerce, then, I dare say, the present critical condition in the country would not have arisen, poverty and starvation are directly responsible to a great extent for the present serious and deplorable crisis. Even now, if there is any improvement in commerce and trade, peace would reign in the country. The poverty of the country is increasing and unless Government adopts suitable remedies for its removal, there will be no peace worth the name in the country. Granted that the political movement is, to some extent, responsible for adversely affecting the trade, yet it behoves us carefully to consider what are the causes—political and economic—which give strength and success to the political movement. Not only that, but statesmanship requires that Government should do its best to remove the political unrest and bring about peace and contentment throughout the country. In my opinion Government themselves lend great support to the political movement by levying additional taxation. If the capacity of the people to pay taxes is exhausted, it will have a greatly adverse effect on the agriculture, art and industry of the country, and that will deal a serious blow to its prosperity. I most respectfully beg to draw the attention of the Government with all the earnestness at my command that the condition of the people has been so much worsened that it is no longer able to bear the additional or even the existing taxation. Owing to the increase in income-tax and super-tax, merchants will find it impossible to get any return on their investments and capital. This will involve drastic reduction in staff which will add to the army of the unemployed and they will participate more and more in the political movement, thus giving further rise to political unrest in India. What the Government have seriously to consider is whether the new taxation will not make the position more dangerous. There must be a substantial reduction in the expenditure that has been increased after the War, such as the rise in officers' salaries, allowances and pensions which have risen during the last 10 or 15 years. They should be brought to the pre-war level. The increases were given owing to the rise in prices. I can say from my personal experience that now these prices have in many cases come down to pre-war level, or even less than that in some cases. I therefore submit that the salaries, allowances and pensions should

be brought down to those levels prevailing before the War. In many countries in Europe including Italy, Germany, Austria and even in England itself, this factor is borne in mind and the Government of those countries have made substantial reductions in the pay and allowances of their officers. India is poorer than many countries of Europe yet the salaries of officers obtaining in this country are higher than those prevailing in European countries. This is a time when Government officers themselves should come forward and tell the Government of their own accord that they are prepared to accept a cut in their salaries until such times as the Government finances improve. If this is done it will have the magic effect of allaying the unrest in India. It will make easy the task of officers and people will learn to look at them with an eye of respect. If the Government desire, they can make substantial reductions on the lines suggested by me and can thus save the country from the burden of taxation and the consequent distress entailed thereby.

The most important matter on which I wish to invite the attention of the Government is that considering the poverty of this country, military expenditure is greatly in excess of its resources and in order to make up the deficit in the present Budget, the Government should make much more drastic retrenchments than those indicated by the Honourable the Finance Member in his Budget speech. If that is done the Government would be able to draw popular support in its favour. I am aware that Government will reply to this suggestion of mine to the effect that looking at it from the point of view of the military authorities, this is not possible. My reply to them is this. The income of Indians is less than that of the people of any European country and the military expenditure is so much out of proportion to the average income of Indians that they are ground down under the crushing military burden. The great preparations which the military authorities are making at a heavy expenditure to meet a possible attack of a foreign enemy have made Indians so poor that in case of any real war, India's resources and ultimately of the people at large will be so exhausted that they will make easier the inroad of the enemy into India. I do not mean to say that we should not spend money on our defence, but I do say this that we should not carry it to such an extent that it may impoverish the country and its resources, so that when the time comes, it may not find itself exhausted. If military expenditure is reduced it will allay unrest and promote loyalty in the country. And in the event of any foreign enemy attacking us, the whole country will rise in a body in self-defence, and will be prepared to offer every possible sacrifice in men and money to preserve the integrity and honour of their beloved Motherland. If the Government policy will create discontent, then even the most formidable army will not be of any avail in times of danger. Great danger lies this way, and I beseech the Government to bestow on this their fullest and most earnest consideration. I am strongly of opinion that we should all co-operate with Government in the laudable object of making economy in every direction and the Members of both the august Houses of the Central Legislature should be prepared and willing to give up their allowances, and they should be prepared to serve the country in a real spirit of service at a sacrifice of their time and money. This will produce a great moral effect on the country. The relief that will be secured in this way will not perhaps be great but its moral effect will be tremendously great. The noble example that will be set in this way will be a great asset in fighting the unrest in the country. If the Members of this Honourable House and the Assembly will be prepared to make these sacrifices for some time, at least, until the country is restored to its normal condition, it will produce a desirable effect on the Members of the provincial Councils. I am further of opinion that since the Montague-Chelmsford

[Sardar Sahab Suleiman Cassum Haji Mitha.]

Reforms the number of Ministers and Secretaries and their staff have greatly increased, and the common complaint which may or may not be well founded is that there are "more men and less work". If this is so there should be retrenchment and reduction all round. In my opinion this is one of the sovereign remedies for lightening the burden of administration and relieving the burden of taxation which already hits the people hard. It is a duty of the Government to prevent the country by all possible measures from going downhill on the road to economic crack and ruin. Other countries in the world are fast advancing. It is the duty of the Government to keep India in the forefront of civilised nations and to navigate safely its political barque. At a time when people do not get even one meal and go almost half-naked the Government and the people should not do anything for which we will all have to repent. After weighing every word that I am speaking and after a mature consideration of my full responsibility, I say this in all seriousness that if you will go on piling up taxation, you will invite and hasten Bolshevism in India. It is therefore the sacred duty of the Government to listen to the popular voice of reason and conduct the administration in accordance with the popular view. If the people are convinced that the Government are doing everything in the interests and for the benefit of the people, the response of the people to the Government's demands will be prompt and effective and they will be prepared, out of all loyalty, to lay down their lives for the honour and prestige of the Government and their beloved Mother.

With these words I resume my seat.

THE HONOURABLE RAJA LAXMANRAO BHONSLE (Central Provinces : General) : Sir, I am very grateful that an opportunity has been given to me to take part in this important debate on the Budget. It is a duty, Sir, I owe to those who have sent me here that I should, on their behalf, express the views and sentiments which I know they would expect me to address to this House. Before I proceed further, I would like to request this House that, being quite new here, you will extend to me your indulgence while I detain the House for a few minutes.

The Railway Budget, Sir, with its gloomy picture of losses and heavy inroads upon reserves had to a certain extent prepared us, for a general deficit Budget. The actual magnitude of the deficit was of course not known then, but we all knew that it must be heavy. The only anxiety was, as to how the gap was to be filled up. We now know, and perhaps some of us at least are happy to know, that nearly nine and a half crores, out of the total net deficit of fourteen and a half crores, are proposed to be raised by means of indirect taxation and tariff duties. The higher tariff on wines and beer will please the prohibitionist and the five per cent. surcharge on cotton piece-goods, should go to make the cotton mill-owners more kindly disposed towards the increases in income-tax and super-tax, which, whatever might be said in their defence, are bound to create strong opposition amongst the industrialist and capitalist classes of all sorts. We all know, Sir, how the exchange controversy fed the flame of popular discontent, and contributed to make the Civil Disobedience movement more intensive than it might otherwise have been. I am afraid this rise in the income-tax rate, just at this time, would, in addition to being a heavy burden on our industry, prove an additional weapon in the armoury of those who may feel disposed to stir up trouble. Even assuming the necessity of this new impost for budgetary purposes, the policy of it may well be questioned. Sir, the root of the trouble is the excessive costliness of

the present administration, both civil and military. There is a view held universally amongst Indians at least of all schools of political thought that the country cannot afford the present scale of expenditure, that while nation-building services are starved even as matters stand at present, money is being spent upon objects which can at least well afford to wait the advent of better days of national prosperity. But it is useless, I know, to blame the Finance Member for the scale of expenditure he has to provide under existing circumstances. Policy determines expenditure and he alone cannot singly change it. Matters have reached such a stage in India, amongst all classes of people, that unless the whole situation, as regards policy as well as the methods of administration, is reviewed from the Indian point of view, and by persons whom Indians can instinctively trust, people will not have confidence that everything that is possible is being attempted or done. Fortunately the revision of the constitution that will now be undertaken may be expected to provide for this being done. It is a matter for deep gratitude, Sir, that the peace negotiations that were going on at the Viceroy's House have been successful. There were moments when a feeling of despair almost had come over us. But our thanks are due to both His Excellency Lord Irwin and Mahatma Gandhi that the efforts made have attained fruition. With the Congress now participating in the future work of the Round Table Conference, we may well hope that the incubus of the Civil Disobedience movement, under the deep shadow of which the Budget that we are now discussing was framed, will be lifted.

I referred, Sir, to the costliness of the present scale of military expenditure. In this connection, I would like to refer to the controversy which arose in the time of Lord Kitchener, about recruitment being confined mainly to the border tribes of the North. The late Mr. Gokhale took a leading part in it. The policy then was gradually to abandon all the then sources of recruitment to the army, seemingly on grounds of economy, but really because it was considered dangerous in times of internal trouble, to find men in the army who might perhaps sympathise with their countrymen in their national aspirations. The present costliness of the army is the result of the policy of distrust, on which the whole of its organisation seems to be based. Speaking for my province as well as for the Maratha people, whom I may claim to represent, I may say, Sir, that the policy of distrust is uneconomical, suicidal and wrong. Those who carried their victories far to the North and the South in the olden days are still capable of sustaining the peace and security of the country, both within and without, if the existing material in men is handled in the manner it ought to be. I do not know what proportion of recruits to the regular army in all arms is now furnished by the Marathas: but I know they would, as a class, furnish a very valuable fighting material, by no means less efficient but not so costly as the present one is. For lack of suitable careers in the army the Marathas are being steadily demoralized. It is well worth inquiring, Sir, what economies can be effected by substituting costly outside agencies by reliable and equally efficient indigenous agency in the reorganization of the army. The Marathas and the Hindustanis, Sir, are, neither in physique, nor in endurance and courage, inferior to any other people. They have both served the Moghal Emperors and their Viceroy in the Deccan and fought with them. What they did in the past they are equally capable of doing in the present, if adequate facilities for training in the modern methods of warfare and defence are given to them. I make these remarks both on grounds of economy, which is our greatest need at present, and patriotism also. The need of the hour is to take such measures as would restore to us our national self-respect. If that is not done quickly, there is sure to be trouble, both for England and India.

[Raja Laxmanrao Bhonsle]

I come now to the consideration of how the Budget is going to affect the agriculturist classes. They will have to pay more now for their kerosene, sugar, petrol and cloth. For lack of internal means of transport, agriculturists depend upon the lorry service, wherever it is available, to a very large extent. The increase in the price of petrol would affect this passenger traffic amongst agriculturists adversely. And this is done at a time when prices of agricultural produce have fallen. Tenants are finding it hard to pay their rents, malguzars are finding it hard to pay land revenue, the improvement in the banking system and agricultural finance is yet left to the future. The outlook is very gloomy indeed. Speaking for the agriculturist and industrial classes of my province, I may say with confidence this much, that they will all feel that there was not a single redeeming feature for them in this Budget. The price of produce is, over wide areas, not enough to cover the cost of cultivation; and the rate of interest that the agriculturist has to pay has brought him to the end of his tether. If adequate steps are not taken, and at once, to bring in cheap money to meet his needs, the future is full of grave danger. The prospect of taxation on tobacco, the poor man's only luxury, and the threat of death duties in the near future only add to the existing gloom in the sphere of national finance.

THE HONOURABLE BABU JAGADISH CHANDRA BANERJEE (East Bengal: Non-Muhammadan): Sir, I do not want to take up the time of the House by reiterating the various complaints that have already been made with regard to the proposed new taxation as well as to the military expenditure. The only point that I wish to refer to is the Retrenchment Committee proposed by the Honourable the Finance Member. At the outset I would like to remark that any committee composed of the Members of the Legislatures would be of very little help or use. I would prefer the Honourable the Finance Member to propose a Committee of experts—be they officials or non-officials, I do not mind—to go into the matter of retrenchment with all the knowledge and inside information that they are expected to have on the subject and then bring up their report expeditiously before the two Houses of the Legislature for the purpose of an impartial examination, and, if thought proper, for its adoption. If this committee does its work properly with an eye to real economy, I see no reason why their report should not have the desired effect and support from both Houses of the Legislature.

THE HONOURABLE THE PRESIDENT: If I call the Honourable Member from Lahore at this hour, I would ask him to bear in mind that the Council is anxious to hear the Honourable the Finance Member.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS (Punjab: Non-Muhammadan): I am obliged to you, Sir, for giving me an opportunity to speak though very briefly on the Budget. Sir, I sympathize with the Honourable the Finance Member on his having to face a deficit Budget of 14½ crores this year. He attributes this deficit to two causes—one the political situation and the other the trade depression. Sir, as far as the political situation is concerned, since the Budget was presented to this House on the 28th February, a very happy change has taken place in the political situation. Two gentlemen of very high character and personality have come to an understanding which, I am sure, will put an end to the unrest, suffering and financial chaos which the country has been passing through these years. I must congratulate His Excellency the Viceroy and his Government on the one

hand and Mahatma Gandhi and the Congress Working Committee on this happy termination of the negotiations. Great credit for this negotiation is due to Sir Tej Bahadur Sapru, the Right Honourable Srinivasa Sastri, Mr. Jayakar and His Highness the Maharaja of Bikaner and to the British Cabinet in England. This betterment in the political situation in India will, I am sure, modify the Budget forecasts of the Finance Minister also; the deficit that the Government expects for next year may not happily be realised and the drastic steps proposed by the Finance Minister may not be necessary.

As regards the economic situation, Sir, I think no proper step has so far been taken for its solution. On the other hand, what we find is that the burden of taxation on the people has been increased, particularly at a period when they are unable to bear any further taxation. What their economic condition is now has been realised by the Government quite well. The capital of the masses has been continuously on the decrease. In India the capital of the masses is generally in silver, and I am sorry to find that silver has now touched Rs. 40 per hundred tolas. This proposed increase in the duty on silver will not bring any ultimate relief to the poor because as soon as this increase is removed, the poor people will be worse off. As far as the trade is concerned, the increase in income-tax and the other taxes will greatly tell upon them. This is the time, Sir, when every encouragement ought to be given to trade and industry and by that way to foster the prosperity of the country. It is the depression in trade and agriculture and the high rate of interest that has brought about this miserable result and unless encouragement to trade and industry is given, prosperous times will be put back further and further. For the economic distress, Sir, I blame firstly the 1s. 6d. exchange ratio. This artificial exchange ratio has been a great curse to India, and the sooner the old rate of 1s. 4d. is restored the better. Even the Currency Commission and its President, Mr. Hilton Young, was of opinion that whenever the 1s. 6d. ratio is adopted by the Government of India, the land revenue ought to be decreased by 15 per cent. forthwith. I am sorry, Sir, that the landholders were given no such relief; although the Currency Commission did strongly recommend that proposal, the Government totally ignored it.

Unemployment on a large scale is also one of the main reasons which has added to the Indian unrest. Many provinces have thought out schemes to solve the unemployment question, but so far no measure has been translated into practice, and unemployment is daily increasing.

Now, Sir, I come to the Military Budget. In that connection, a lot has been already spoken. I only want to add that although there has been this year a reduction of Rs. 64½ lakhs in the price of army foodstuffs, as His Excellency the Commander-in-Chief told us to-day, that amount has not been taken into consideration when axeing the military expenditure. I find from the Honourable the Finance Secretary's Memorandum that this cut in the military expenditure is due to the items put forward on page 31. I need not go in detail into that because the time allowed to me is short. But, Sir, why has this not been taken into consideration, and why has further reduction to this extent of 64½ lakhs not been made? I hope, Sir, the Honourable the Finance Minister will kindly explain. So far as my information goes, the adjustment of war accounts has not yet been made and we do not know what has been the net result therefrom. What we understood, whether rightly or wrongly, was that India was to get a big refund of money from the War Office in this connection, but so far we have heard nothing about it. I hope the Honourable the Finance Member will kindly say whether the adjustments

[Lala Ram Saran Das]

have been made and what has been the net result or saving to India on that account.

Then, Sir, as regards the military expenditure the Retrenchment Committee that was presided over by Lord Inchcape recommended that the military expenditure ought to be brought down to 50 crores per annum when the prices of material and foodstuffs fall. That period has now come. But there has not been sufficient axeing in cutting down the military expenditure. I agree with my Honourable friend Sir Maneckji Dadabhoj that these Retrenchment Committees and other Committees are appointed only to pacify temporarily the sentiment of the Legislature. When their reports are submitted, either they are shelved or they are ignored or they are partially accepted. I do not know how far the scope of the Retrenchment Committee that is now proposed will be. I would like to know from the Honourable the Finance Minister whether its activities will also be extended to the Military Department and to the other services in all other departments, or whether they will be only confined to the sum spent on the civil administration, which is only 23 crores out of the total expenditure. I hope, Sir, that in case the Government has decided to appoint this Retrenchment Committee its recommendations will not fall overboard, but will receive the best and prompt consideration.

As regards the income-tax, Sir, I can only say that this new increase in income-tax is heavy and unwarranted and that the Finance Member must look to some other avenues like that of tobacco or something else to meet his deficit. The income-tax and super-tax are already very high and cannot be borne by the people who are affected by them. I must also say that in the assessment of income-tax, one should be allowed to carry forward the business losses to the next year and set them against the profits of that year. This is very important because it means that when the people suffer heavy losses in one year, those heavy losses will not be allowed for in the coming year. What a hardship that is! That is unjust and wrong and I hope the Honourable the Finance Member will be equitable and just in meeting this demand. Some time back a representation was made to the Central Board of Revenue as regards the assessment of profits while assessing income-tax on contracts which extend for several years. The Board of Revenue was pleased to issue instructions that at the expiry of these contracts the accounts be adjusted and that the necessary refund of over-charges, if any, of income-tax be given. But I am sorry to find that when translating this into practice Income-tax Officers consider that the orders were confined only to the income-tax and not to the super-tax. In these days, when there has been such heavy increase in income-tax and super-tax, such misunderstanding should be removed, forthwith. I hope that the Finance Department will see that this is put right.

With these remarks, Sir, I resume my seat.

THE HONOURABLE SIR GEORGE SCHUSTER (Finance Member) : Sir, I always feel that it is a great privilege to me to be able to come to this House and get the advice, assistance and criticism of the elder statesmen. Their words are perhaps fewer than those employed by speakers in another place. Their speeches average perhaps one-half of the length that we are accustomed to elsewhere, but their words if fewer are weighty, and I have listened with great appreciation and, I trust, with some improvement for my own ideas on the situation, to the debate which we have had to-day. The fact that the speeches are rather shorter makes my task in replying somewhat more difficult,

because the number of speakers has been very large, and I trust that Honourable Members will not feel in any way that I have neglected what they have said if I do not refer in detail to every speech which has been made. I wish to confine my remarks to-day almost entirely to the main issue and not to be led into discussions of detail. But I might perhaps at the outset pick up two or three special points of detail which seem to me to have attracted special attention and to have figured in practically all the speeches. As regards the taxation proposals, I think I may say that there are two features which have been generally selected for the chief attack. One was the tax on kerosene and the other was the taxes on income, with particular reference to the added burden on the poorer classes, the lower grades. Now, as regards the kerosene tax, that has been objected to as a burden which falls very heavily on the poorest classes. We certainly thought very carefully whether we should include this proposal having regard to that particular consideration. But I think if Honourable Members will study the facts they will be able to satisfy themselves that this particular proposal is not going to constitute a really serious burden on the poorest classes. I have tried to see in relation to all these taxes how exactly they would affect the various classes of the population, and it is interesting to consider what is the poor man's budget and how these various taxes do affect the poor man. There is a certain amount of information available on this subject. Most of the up-to-date reports deal with urban conditions, and I think it will be generally agreed that as far as the industrial wage-earner in an urban district is concerned, his position has improved very considerably in the last 12 months, if his wages have remained the same, owing to the considerable fall in the cost of the necessaries of life. I think Honourable Members would have no difficulty in satisfying themselves—if they went into the analysis of a poor man's budget in the *Bombay Labour Gazette* or publications of that kind, and consider the factor which the cost of articles like kerosene, sugar and clothes bear in the poor man's budget—I think they would satisfy themselves that nothing which we are doing in the way of increased taxation this year is going to offset the advantage which those people have gained owing to the fall in prices. I am much more concerned with the position of the agriculturist, who undoubtedly has suffered most severely owing to that fall in prices which has benefited the industrial worker. But if we consider kerosene, the best study I think of this matter for the purpose of ascertaining how the poor agriculturist spends his money is given in a book which was published some time ago. It is a most admirable book, "The Economic Life of a Bengal District", by Mr. Jack. It is one of the best studies that has ever been published. Well, he has gone into the budget of a great number of families, and taking the case of the family of a cultivator who lives in comparative comfort, out of his total expenditure of £16 13s. 4d. per annum, the amount he would spend on kerosene at the prices then prevailing was 2s. 8d., that is, .8 per cent. of his total expenditure. Taking the prices of kerosene then prevailing, that amount would purchase for a family of five 3.7 gallons of kerosene, and if you take the total consumption of kerosene in India and divide the total consumption by the population of India I think 3.7 gallons for that type of family can be verified as being about a correct figure. On the other hand, the cultivator who is living in extreme indigence, taking his total expenditure as £6 13s. 4d., his expenditure on kerosene would be 1s. 4d., that is to say, about 1.85 gallons per annum. Now, if you take the first case, the man who is living in comparative comfort and who is consuming for himself and his family 3.7 gallons per annum, it is an easy calculation that if you put up the price by 9 pies, that is, three-fourths of an anna, and he is consuming, say, 4 gallons per annum, you would be putting up his cost by about 3 annas a

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year; and for the poorest man you would be putting up his expenditure by about $1\frac{1}{2}$ annas per annum. Now, although of course every pie counts to these poor people, I do not think that can be represented as an intolerable burden. But what is an interesting comparison is to go on from that and to consider what the effect of an extra 5 per cent. on cotton piece-goods would be to these poorest men. Now, there again working on the same data, the total consumption per head being about 16.4 yards for a family of 5, the annual consumption would be 82 yards. And that leads one to the conclusion that for a family of that kind the annual expenditure on piece-goods would be about Rs. 21 $\frac{1}{2}$, so that an additional 5 per cent. on that would mean an addition to that family budget of Re. 0-14-3, very nearly Re. 1. That compares with about 3 annas for the increased cost on kerosene. Now, I have just quoted those figures because it is interesting to see how these things work in the public mind. The increase of 5 per cent. in the import duty on cotton piece-goods is accepted quite readily although it means an increase in annual expenditure of Re. 1 to the poor man, as compared with an increase of expenditure of only 3 annas in the case of the kerosene duty, which is selected for the most violent attack. We have got to face facts and we cannot get away from it, that all these duties do indirectly mean some damage to the poor man; but in its present mood the country is quite willing to face an increase in the price of cotton piece-goods, which really hits the poor man much harder than the increase in the kerosene price which, as I say, practically makes no difference to him at all. Now, all that is of course quite natural, but it leads us to one lesson, and that is that if the increased protection which is being given through these revenue duties to the Indian manufacturers in this country is used merely to put up prices and is not used to stimulate internal competition and improve the general industry of India without raising prices, if that is all that is going to happen, it is not going to be to the benefit of the country. It is up to the public of this country to see that the Indian industry does not develop into a sort of monopoly, as was mentioned by one speaker this morning, working behind a high and ever-increasing tariff wall, to the benefit of a few capitalists and to the detriment of the country as a whole. I think I may be permitted just to make that remark and to draw that lesson from the type of criticism that one has listened to this morning.

Then, as regards income-tax, I fully realise that we are asking all classes to bear an increased sacrifice this year. I think if Honourable Members will study the figures which were published giving calculations of exactly what the increase is, I think they will come to the conclusion that although it is unfortunate, although it is a sacrifice, it is not an unbearable sacrifice in any case. A man on Rs. 2,000 has to pay an extra sum per annum of about Rs. 40, a man on Rs. 5,000 an extra sum per annum of about Rs. 130, a man on Rs. 10,000 an extra sum per annum of Rs. 260. I do not think those are killing impositions. But at the same time, as I have said, I think it is very undesirable to have to pay income-tax up to those levels, and I want to make one point clear to which I referred in my budget speech and to which I referred again in replying to the general debate in the other House yesterday evening. We do regard these income-tax proposals rather in the nature of stop gap proposals. They represent a simple measure which we can bring into effect this year, but I certainly in proposing them hope that they will not be a permanent feature in the Government's armoury of taxation and that it will be possible somehow or other in the course of this year to devise other methods for raising that particular amount of revenue or at any rate for raising a part of it.

Well, Sir, having dealt with those two or three special points, I come back to the main issue, which is this, that we are faced with an extremely difficult situation, a large gap to fill, which we can only fill on the one hand by reducing our normal expenditure and on the other hand by raising new revenue. That is a situation from which I cannot escape ; it is a situation which means that my budget must be a bad and unpopular budget. That, as I say, I cannot escape and that sort of statement I must listen to and I must acknowledge that if I sat on the opposite benches I should be making just the same sort of statement myself. The question which I do have to ask myself is whether in the face of that situation I could have done any better than I have done. Is there any way in which the immediate measures of retrenchment could have been increased ? Are there any other ways in which new sources of revenue could have been tapped ? Now, I do not propose to deal at length with the proposals for taxation. There will be other opportunities for Honourable Members to debate those proposals and I think beyond what I have already said in dealing with these two or three special points which I mentioned, it is not necessary for me to go into any argument about the proposals for taxation. But perhaps I might say one thing, and that applies both to my proposals for taxation and to what I have to say on the question of retrenchment, and that is that just at the present moment we are carrying on our work in circumstances of great difficulty. We are at a transitional stage in the constitution. There are a great many things that we could do if we stood on more stable ground ; there are a great many things that we hope we shall be able to do if a federal constitution in India is established, but as things are, we have in a sense to mark time and we have in a sense to be content with what I have called stop gap proposals. Honourable Members, if they have read my budget speech, will have seen as regards the taxation proposals and as regards the possible steps which I have indicated might be taken in the future, I referred to such measures as the establishment of a tobacco monopoly or the introduction of some better means for taxing the consumption of tobacco, and the setting up of an excise duty on matches. Now, in both those respects, our position will be very much easier if we have advanced to the stage of an all-India federal constitution ; and, until we reach that stage, certainly as regards matches, I do not myself see any way of satisfactorily introducing measures which will give us the real amount of revenue that we ought to be able to get from that source. That is what I meant when I said that we are in difficulties now owing to the transitional state of affairs in which we stand.

Now, I must turn to this question of retrenchment. In dealing with what I call the main subject, I must express a special word of gratitude to my old friend Sir Dinshaw Wacha for his speech, and there is one particular feature in his speech to which I wish to call attention and to which I listened with great appreciation. He is able to throw his vision back over a very long period in the past, and by doing so, he is able to see the present position perhaps in better perspective than some of us do, and he was able I think to relieve some of the pessimism to which we have listened to-day by his references to what had happened in the past. I think that is wise, I think that is very necessary. We are at least to some extent going through that process of ebb and flow through which industrial life does go, and, as I said in my budget speech, I think it is safe to prophesy that though we are at the bottom of the ebb now, or near it, the tide certainly will turn again. I do not think that the whole adverse factors which we have to face to-day will be with us permanently. But while I make that reflection I think that there are certain factors about the present situation which distinguish it from anything through which the country has been before. I think, in the first place, that we have got now

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to readjust our economic standards. I think that India for the first time now is feeling severely the drop back from the unnatural atmosphere of the war period and the post-war boom—we have to drop back to normal conditions as regards prices, but abnormal conditions, established largely during the war as regards expenditure still remain. I think these circumstances mean that we have got to face now some sort of permanent readjustment, and that no mere turn of the tide is going to carry us quite high enough again. That is one factor in the situation. The other—which is quite unique—is that India now stands before this great constitutional change, and, as I ventured to say the other day, I think the economic results of that change—the financial results—have got to be faced now. Government have been criticised for being one of the most costly Governments of the world. I have ventured to say that anybody who would compare the cost of Government in India, taking into account all the factors, the size of the country, the population and all the rest of it, any one who took the trouble to do that would be able to satisfy himself that on the whole India in the past has been cheaply governed. But I am afraid that some of the advantages which the Government has had in the past will not prevail in the future ; that, with the extension of democratic institutions, the work of the Central Government and of the Provincial Governments will increase. It is absolutely inevitable that more offices will be created and more officers will be employed. And unless that fact is faced and some change is made in the scale of remuneration, I myself do not believe that India will be able to carry on as any one who wishes her well would desire to see. Therefore, for both these reasons I think now we have got to stop back and make a review of the situation. That being the position, what can the present Government do ? That raises the question of retrenchment. Now, when you consider retrenchment, you will see that it falls mainly into two different classes. There is, first of all, what I call day-to-day retrenchment—the taking of steps which will eliminate all sources of waste and increase efficiency at every point in the executive work of Government ; that is one kind. And the other kind is the taking of measures which will restrict the whole activities of Government—the cutting out of certain services and the regulation of the scales of pay throughout the Government. Well, now, the first kind of retrenchment is, of course, one which every Government can take and it represents an activity which should be part of the daily work of Government. The second kind involves questions of policy, and there again I want to make a distinction. The kinds of policy involved may again be classified under two heads. On the one hand, you have questions of policy which involve no constitutional issues. You may decide to cut out altogether certain services which, as I say, do not affect the constitutional issue at all. I mentioned the other day, as an example, that you could cut out a new service like civil aviation, or you could say, “We are not going to spend money on agricultural research”. Those are all questions of policy that have no constitutional significance. On the other hand, there are other questions of policy which have a distinct constitutional significance and which we cannot tackle now independently of the constitutional issues. Certainly, the whole question of the rates of pay for the services has a constitutional significance. When I mentioned in the Legislative Assembly the other day the proposal that we should hold a conference early this summer at Simla with the Provincial Governments to consider the rates of pay in the future for the services, I was met by the criticism from the other side that the present Government is only holding office for a limited tenure ; that the present Government is shortly to be replaced by a Federal Government for India—a responsible Government. And I was

asked, "By what right can you with your limited tenure decide what should be the future rates of pay for the services for which you will not be responsible?" Well, that was quite a pertinent question, but it does illustrate the limitations under which we are working to-day. My answer to it was: "I quite agree we cannot settle those questions finally now, but we can do a great deal of preparatory work for studying those questions, and it is our duty, I think, to do that work."

Well, now, having made that classification of the kinds of retrenchment that can be carried out, I want to ask Honourable Members to consider what are the best steps which we could take to deal with the subject. We made a proposal that there should be appointed a retrenchment committee. My idea in making that proposal was that that committee would help the Government in reviewing the ordinary administrative machine, would help the Government in ascertaining whether there was any waste which could be checked—mainly, therefore, to deal with what I described as the first kind of retrenchment. But I think that committee could also help in relation to the other enquiries, and I took pains in my budget speech to show exactly how I thought that committee would fit in with the other work which had to be done. The reception which that proposal has received is somewhat interesting. The general note of criticism in the other House was, "Retrenchment is your responsibility, not ours. It is for you, the Government, to find out means of retrenchment. We want (as one speaker said) a little more retrenchment and a little less committee." Well, perhaps that is an intelligible line to take, but I do not think it is a very helpful line, and it certainly represents a misunderstanding of the proposal which I had made. On the other hand, from the criticism which we have received elsewhere and from the remarks to which I have listened in this House, I think I may take it that opinion generally does not desire to have a retrenchment committee appointed merely representative of the Legislative Assembly. I leave out of account for the moment the question of the Legislative Assembly or the Council of State. I must apologise to Honourable Members of this House for having left out the Council of State in making that proposal, and certainly—if I may here make an interjection—if anything is done now I go so far as to say that that particular aspect of the proposal will be reconsidered. But I think I may conclude that there will be no general demand for a committee of that kind, that if anything is wanted—I only express this view provisionally and I hope that I shall get further expression later on—but expressing my provisional view I think it is this, that the general feeling is that if anything is done it will be better that there should be some sort of expert committee which the Government itself should set up and possibly nominate one or two outsiders with business experience to work with them and to bring a new vision into the field. Well, if that turns out to be the general desire I can assure this House that Government will proceed in that way.

I ventured to say—but it is a remark which has been slightly misunderstood—I ventured to say in speaking yesterday evening that I myself would hold out no great hope of substantial economies being discovered resulting from that sort of investigation. My Honourable friend Sir Maneckji Dadabhoy said that he hoped that I did not mean that. Well, I should like to explain what I did mean. My meaning was this, that although I daresay some minor economies might be discovered—it may be possible to tighten up the screw of efficiency and get rid of a certain number of officials, it may be possible, but I am doubtful even of that—but what I really am certain about is that apart from big changes of policy you cannot out of the Central Government get any measure of economy which is going to have a major effect on the situation

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to-day. After all, we are speaking on the scale of tens of crores. If one took the most extreme possible figure that one could conceive, it might be possible to cut down the Central Government expenditure in the range of about a crore or so. After all we can only deal with that part of the Budget which we can control, mainly the heads of Civil Administration and Civil Works—which only amount to about 16 crores. We have already cut about 98 lakhs off that and I think Honourable Members will agree with me that it is hardly likely that without endangering the efficiency of the whole machine you could go very much further than that. That is what I mean and I have made that remark in order to indicate that if you are going to make a substantial effect on the situation, you have got to go further than that. That brings one to the consideration of the whole question of policy. Of course, the general attack is on military expenditure. It is possible, I suppose, that by a change in policy, there may be reductions under that head. That is a subject on which I can obviously say nothing now. I only want to say this, that when just at the present moment, the Budget of this present Government is attacked, I do want to ask Honourable Members to appreciate that questions of vital policy are involved, and that at the present stage of the constitutional discussions, it is quite absurd to suggest that I could possibly have come to the House with a proposal for reduction of say 4 or 5 crores in the military budget this year. And the same applies to other big questions of policy. Now this brings me to the kernel of what I want to say to this House to-night. Do let us face facts. We have got to deal with the present situation. India has got to be carried over this very difficult transition period. My budget proposals are intended to carry us over one of these difficult transition years. I do not like the proposals. I have already said so. But I challenge any Honourable Member here to devise any proposals which would be better devised for dealing with the present situation. I am particularly grateful to my Honourable friend who sits next to me here, Sir Maneckji Dadabhoy, for he after all is one of those, I imagine, who will bear most heavily on his own shoulders the burden which we are imposing, and he has with great directness expressed the view that in all the circumstances, much as he dislikes it, this Budget represents the only sort of proposals which any Government with a full sense of its responsibility could have put forward. I ask Honourable Members to consider it in that spirit. I ask them to trust us on our side, so far as we can, to do our best in the coming year to open ways for taking a broader vision of the future and for financial measures by which expenditure can in the future be reduced. But I ask them to realise that we alone cannot tackle that problem, that we require some assistance from public opinion, and therefore, I would end on the note which I tried to make the key note of what I said in introducing my Budget, and that is, that in the period that lies before us, what this Government requires is co-operation from the responsible members of the Indian public and particularly from the leaders of the commercial community. (Applause.)

The Council then adjourned till Eleven of the Clock on Monday, the 9th March, 1931.

COUNCIL OF STATE.

Monday, 9th March, 1931.

The Council met in the Council Chamber of the Council House at Eleven of the Clock, the Honourable the President in the Chair.

QUESTIONS AND ANSWERS.

THE CAPITAL AT CHARGE (RAILWAYS) ON THE 31ST MARCH, 1917, ETC.

88. THE HONOURABLE MR. ABU ABDULLAH SAIYID HUSSAIN IMAM : Will Government please state :

- (a) the capital at charge (Railways on the 31st March, 1917 ;
- (b) the annual capital expenses of the Railways met by loans between 1917 and 1930 ;
- (c) the amounts of loans with date of issue and the issue price and the rate of interest thereon, between 1917 and 1930 ;
- (d) the annual accounts of interest not realised by Government from the Railway Department from 1917 to 1918 on account of wrong calculation referred to in paragraph 12 of the Explanatory Memorandum of the Railway Budget ?

THE HONOURABLE MR. J. A. WOODHEAD : (a) and (b). The information is contained in the Finance and Revenue Accounts of the Government of India, copies of which are in the Library.

(c) The list is a long one, but I can show it to the Honourable Member, if he wishes.

(d) This involves laborious calculations and I do not think any useful purpose will be served by making these calculations now.

NUMBER AND PERCENTAGE OF MOSLEMS EMPLOYED IN CERTAIN DEPARTMENTS OF THE GOVERNMENT OF INDIA SECRETARIAT.

89. THE HONOURABLE MR. SYED ABDUL HAFEEZ : Will Government be pleased to state :

- (a) the number and percentage of permanent Moslem Assistants in the Home, Industries and Labour, Commerce, Education, Health and Lands, Foreign and Political, Legislative and Legislative Assembly Departments of the Imperial Secretariat on the 31st of March of each year for the last ten years ;

- (b) the number of permanent Moslem clerks in the Home, Foreign and Political, Education, Health and Lands, Commerce, Industries and Labour and Legislative Assembly Departments on the 31st of March of each year for the last ten years ;
- (c) the number of Moslems holding Upper Time Scale posts in the Home, Industries and Labour, Commerce, Education, Health and Lands, Foreign and Political, Legislative and Legislative Assembly Departments on the 31st of March of each year for the last ten years ?

THE HONOURABLE MR. H. W. EMERSON : (a) and (b). Annual statements from the year 1925, showing the communal composition of the clerical staff as on the 31st December of each year, will be found in the Library. For the Honourable Member's convenience, I lay on the table a statement compiled from these in respect of Departments for which he seeks information, showing the figures of 1911 and for each year from 1925 to 1929. I have not got figures between 1911 and 1925 nor have I figures collected up to the 31st March of each year ; but the statement laid on the table will possibly serve the Honourable Member's purpose.

(c) These figures are not available and their collection would involve a disproportionate amount of labour.

Statement showing the number and percentage of Muslims in the clerical staff of the Departments and for the years mentioned below.

Name of Department.	1911.			1925.			1926.			1927.			1928.			1929.		
	Total strength.	No. of Muslims.	Percentage of Muslims.	Total strength.	No. of Muslims.	Percentage of Muslims.	Total strength.	No. of Muslims.	Percentage of Muslims.	Total strength.	No. of Muslims.	Percentage of Muslims.	Total strength.	No. of Muslims.	Percentage of Muslims.	Total strength.	No. of Muslims.	Percentage of Muslims.
Commerce . .	64	4	6.2	49	5	10.2	50	5	10	50	6	12	53	5	9	64	12	18.8
E., H. and L. .	85	6	7	90	24	26.7	90	23	25.6	85	20	23.5	86	20	23.25	86	21	24.42
F. and P. . .	93	3	3.2	124	17	13.7	127	18	14.2	128	19	14.8	136	21	15.44	135	21	15.64
Home . . .	50	2	4	73	13	18	73	14	19.2	74	17	23	74	15	20	74	15	20
I. and L.—																		
Industries Branch	*	*	*	54	9	16.6	54	9	16.6	58	11	19	59	11	18.6	59	13	22
P. W. Branch	46	7	15	41	5	12	41	5	12	38	5	13	38	5	13	38	5	13
Leg. Assembly	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	51	13	25.5
Legislative . .	30	10	33.3	83	15	18.1	83	15	18.1	83	15	18.1	82	13	15.9	54	6	11.11

* Did not exist.

EMPLOYMENT OF MOSLEMS AS SUPERINTENDENTS OF POST OFFICES.

90. THE HONOURABLE MR. SYED ABDUL HAFEEZ: Will Government be pleased to state :

- (1) the number and percentage of appointments of Superintendents of Post Offices appointed during the last 10 years, who were related to the superior officers of the Posts and Telegraphs Department, as against the total recruitment of Superintendents of Post Offices ;
- (2) the number and percentage of Moslem Superintendents of Post Offices year by year for the last ten years ?

THE HONOURABLE SIR JOSEPH BHOORE : (1) The number was 11 representing about 14 per cent. of the total number of appointments made to the cadre of Superintendents of Post Offices and R. M. S.

- (2) I lay on the table a statement giving the required information.

STATEMENT

In 1921 the number was 32, percentage 17·68.
 In 1922 the number was 34, percentage 18·78.
 In 1923 the number was 32, percentage 17·68,
 In 1924 the number was 34, percentage 18·78.
 In 1925 the number was 34, percentage 18·78;
 In 1926 the number was 32, percentage 17·68.
 In 1927 the number was 32, percentage 17·68.
 In 1928 the number was 31, percentage 17·22,
 In 1929 the number was 30, percentage 16·66,
 In 1930 the number was 32, percentage 17·77,

QUANTITY OF JUTE PRODUCED IN BENGAL AND REVENUE DERIVED FROM THE EXPORT DUTY ON JUTE.

91. THE HONOURABLE MR. SYED ABDUL HAFEEZ: Will Government kindly state :

- (a) the quantity of jute produced in Bengal year by year during the last 10 years ;
- (b) the amount of customs revenue derived from the levy of export duty on its export year by year during the last 10 years ;
- (c) the amount, if any, of this revenue spent in Bengal specially for the improvement of the quality and quantity of jute and improved method of marketing ?

THE HONOURABLE SIR FRANK NOYCE : (a) and (b). I place on the table two statements which give the information for which the Honourable Member has asked.

(c) The proceeds of the duty are credited in their entirety to the general revenues of the Central Government.

Statement showing quantity of jute produced in Bengal during the ten years 1921 to 1930. (The figures include those for Cooch Behar from 1921 and for Tripura State from 1925.

										Bales of 400 lbs. each.
1921	.	.	.	.	.	.	.	.	.	3,606,000
1922	.	.	.	.	.	.	.	.	.	4,798,000
1923	.	.	.	.	.	.	.	.	.	7,534,000
1924	.	.	.	.	.	.	.	.	.	7,240,000
1925	.	.	.	.	.	.	.	.	.	8,021,000
1926	.	.	.	.	.	.	.	.	.	10,769,000
1927	.	.	.	.	.	.	.	.	.	9,055,000
1928	.	.	.	.	.	.	.	.	.	8,589,000
1929	.	.	.	.	.	.	.	.	.	8,729,000
1930	.	.	.	.	.	.	.	.	.	9,966,000

Statement showing the amount realised from the export duty on jute during the ten years 1920-21 to 1929-30.

										Rs.
1920-21	.	.	.	.	.	.	.	.	.	3,20,53,072
1921-22	.	.	.	.	.	.	.	.	.	2,71,60,032
1922-23	.	.	.	.	.	.	.	.	.	3,28,29,793
1923-24	.	.	.	.	.	.	.	.	.	3,57,07,871
1924-25	.	.	.	.	.	.	.	.	.	3,74,97,987
1925-26	.	.	.	.	.	.	.	.	.	3,67,66,343
1926-27	.	.	.	.	.	.	.	.	.	3,94,55,232
1927-28	.	.	.	.	.	.	.	.	.	4,59,37,164
1928-29	.	.	.	.	.	.	.	.	.	4,21,43,294
1929-30	.	.	.	.	.	.	.	.	.	4,65,73,884

CONSTITUTION OF A CENTRAL JUTE COMMITTEE.

92. THE HONOURABLE MR. SYED ABDUL HAFEEZ: Do Government propose to accept and give effect to the recommendations of the Royal Commission on Agriculture and set up a Central Jute Committee representative of the various interests concerned?

THE HONOURABLE SIR FRANK NOYCE: I would refer the Honourable Member to the reply I gave on the 11th February last to part (1) of question No. 6 on this subject asked by the Honourable Babu Jagadish Chandra Banerjee.

TRADE DEPRESSION.

93. THE HONOURABLE MR. SYED ABDUL HAFEEZ: What steps do Government propose to take for emerging from the present trade depression and averting similar depression in future?

THE HONOURABLE MR. J. A. WOODHEAD : As stated by me in reply to a similar question asked by the Honourable Mr. Abu Abdullah Saiyid Hussain Imam in this House on the 11th February, 1931, the real causes of the present trade depression are unfortunately beyond the control of the Government of this country. Government do not consider that it is possible for them to take any action to prevent trade depressions arising from similar causes in the future.

NUMBER OF INDIAN EMIGRANTS TO SOUTH AMERICA.

94. THE HONOURABLE MR. SYED ABDUL HAFEEZ : Will Government please state :

- (a) the number of emigrants who have emigrated to South America from India since 1900 ;
- (b) the number of Moslem emigrants to that country since 1900 ;
- (c) the present number of Moslem settlers in those parts ; and
- (d) the steps hitherto taken by the Government towards safeguarding their rights and towards their economic and cultural amelioration ?

THE HONOURABLE SIR CHARLES WATSON : The information required is not available, but endeavours are being made to obtain it. The result of the enquiries being made by the Government of India will be communicated to the Honourable Member in due course.

SUPERINTENDENTS OF POST OFFICES.

95. THE HONOURABLE MR. SYED ABDUL HAFEEZ : (a) What was the total number of Superintendents of Post Offices in India and how many of them were Moslems on 31st of March, 1930 ?

(b) What was the total number of departmental officers in India who were eligible for this class of appointments and how many of them were Moslems on 31st of March, 1930 ?

(c) What was the total number of Probationary Superintendents in India on 31st March, 1930, and how many of them were Moslems ?

THE HONOURABLE SIR JOSEPH BHOORE : (a) 178 ; 30 of them were Moslems.

(b) 33 ; 5 of them were Moslems.

(c) 15 ; 5 of them were Moslems.

ADEQUATE REPRESENTATION OF MOSLEMS IN THE POSTAL DEPARTMENT.

96. THE HONOURABLE MR. SYED ABDUL HAFEEZ : What has the Government done to help the Moslems in getting their due share of appointments in the Postal Department ?

THE HONOURABLE SIR JOSEPH BHOORE : The Honourable Member is referred to the answer given by the Honourable Sir Bhupendra Nath Mitra to Mr. Anwar-ul-Azim's starred question No. 330 in the Legislative Assembly on the 30th January, 1929.

REPRESENTATION OF MOSLEMS IN THE OFFICE OF THE POSTMASTER GENERAL, PUNJAB.

97. THE HONOURABLE MR. SYRD ABDUL HAFEEZ: (a) For how long has there been a Hindu Office Superintendent in the Office of the Postmaster General, Punjab? Has he got any extensions after 55 years of age; if so, how many and when is he going to retire?

(b) Will Government state the number of men appointed in the clerical staff in the Punjab and North-West Frontier Circle in 1928-29? How many of them were Moslems and how many of other communities?

(c) How many candidates were on the waiting list and how many of them were Moslems on the 31st of March, 1930?

(d) Is the Assistant Post Master General in charge of the appointment section of Postmaster General's Office, Punjab, a Hindu?

(e) Is the Head Clerk of the Section dealing with the recruiting of the staff in the Postmaster General, Punjab's Office a Hindu?

THE HONOURABLE SIR JOSEPH BHOORE: (a) Since August, 1905. Yes, five; he will retire on the 15th December, 1931, the date on which he attains the age of 60 years.

(b) The information in respect of the official year 1928-29 is being collected and will be supplied to the Honourable Member in due course. In the calendar year 1928, however, 435 appointments were made in the clerical cadre, of which 158 went to Muslims, while in 1929, of 252 appointments made, 88 were Muslims.

(c) The information is being obtained and will be furnished to the Honourable Member.

(d) and (e). Yes.

PUBLICATION OF THE REPORTS OF THE MILITARY REQUIREMENTS COMMITTEE AND THE COMMITTEE ON THE INDIANISATION OF THE INDIAN ARMY.

98. THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD: (a) Will Government be pleased to state whether the reports of the Military Requirements Committee of 1921 and the Committee on the Indianisation of the Indian Army of 1922 have been published?

(b) If not, will Government please place copies of these reports on the table?

HIS EXCELLENCY THE COMMANDER-IN-CHIEF: (a) The report of the Indian Military Requirements Committee has never been published. The report of the committee of military officers has not been published in full, but a summary of the scheme contained in that report was laid on the table of the Legislative Assembly on the 17th of February last.

(b) Both reports were secret documents. The Military Requirements Committee, the majority of whom were Indians, strongly and unanimously recommended that in no circumstances should either their report, or the evidence of the witnesses, ever be made public. The actual wording of that resolution in the report was:

"In concluding this report, which is based on the evidence of witnesses who were given to understand that their evidence would be treated as strictly confidential, we recommend that in no circumstances should either the document itself or the evidence of the witnesses ever be made public and that the report as a whole be treated as a secret document."

Government must respect that recommendation ; but I may inform Honourable Members that the terms of reference to the Committee dealt exclusively with questions of strength and finance, and contained no mention of Indianisation in the Indian Army. The Committee, while recognizing this, made certain recommendations in respect of Indianisation, but did not prepare a scheme. The detailed scheme was prepared subsequently by the committee of military officers which Lord Rawlinson appointed for that purpose ; and it is that scheme that has now been made public.

THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD : Is it a fact that copies of the Reports of these Committees were made available to the Delegates to the Round Table Conference in London ?

HIS EXCELLENCY THE COMMANDER-IN-CHIEF : No, only the one that I alluded to. The so-called Report of the Shea Committee was made public in the sense that a summary of it was given to the Round Table Conference. The proceedings of the Military Requirements Committee were not made public nor were they given to the Sub-Committee of the Round Table Conference.

THE ASSAM RIFLES.

99. THE HONOURABLE RAI BAHADUR PROMODE CHANDRA DUTTA : (a) How many battalions of the Assam Rifles are maintained in Assam ? For what purposes are they maintained ? Where are they stationed ? What is the annual cost of their upkeep ? Is any portion of it levied from the Government of Assam ? If so, why ?

(b) How much on the aggregate has Assam paid for their upkeep from 1921-22 to 1930-31 ?

(c) Is Government aware that the Legislative Council of Assam has all along protested against being compelled to meet the deficit for the administration of the backward tracts and to contribute to the maintenance of the Assam Rifles ?

(d) Does the Government of India intend to give financial relief to Assam as an offset against these charges ?

THE HONOURABLE MR. H. W. EMERSON : (a) There are five battalions of the Assam Rifles whose headquarters are at Aijal, Sadiya, Kohima, Imphal and Lokra respectively. They are primarily employed for the defence of the Frontier, and three battalions are located in areas for which the Central Government are responsible. The force, the responsibility for the administration of which is vested in the Local Government, is also available for internal security and has been employed for that purpose from time to time. The annual cost of its maintenance was estimated at about Rs. 20 lakhs on the average in 1924 and, in view of the primary purpose for which the force is intended, the Government of India agreed to make an annual assignment of four-fifths of the entire cost, viz., Rs. 16 lakhs.

(b) I have not got the information for 1930 but the total payment for the period 1921-1929 made by the Government of Assam is shown in the provincial Police Administration Reports as Rs. 19½ lakhs.

(c) I am aware of the view that the Legislative Council has taken in the past but it will be seen that Assam only met a small share of the total cost and for the reasons explained in reply to part (a), the objection taken to it is not justified.

(d) I am not aware of any such proposal.

MEDICAL TREATMENT OF LEPERS.

100. THE HONOURABLE RAI BAHADUR PROMODE CHANDRA DUTTA : Has any law been passed to compel lepers to offer themselves for treatment ? Does the Government of India consider it necessary to undertake legislation for the purpose ?

THE HONOURABLE SIR FRANK NOYCE : The attention of the Honourable Member is invited to the Lepers Act of 1898, which provides for the segregation and medical treatment of pauper lepers and the control of lepers following certain callings. Government do not propose to undertake any further legislation on the subject at present.

ANNUAL REVENUE OF ASSAM.

101. THE HONOURABLE RAI BAHADUR PROMODE CHANDRA DUTTA : Is Assam the poorest of the major Provinces in British India ? What is the annual revenue and what province comes next and with what annual revenue ?

THE HONOURABLE SIR ARTHUR McWATTERS : The Honourable Member will find the figures of provincial revenue in Account No. 8 of the Finance and Revenue Accounts. I am afraid I must leave him to draw his own conclusions from these figures as also from the figures relating to area and population which appear on page 108 of Volume I of the Report of the Indian Statutory Commission.

TOTAL AMOUNT OF SALARY CHARGES PAYABLE FROM CENTRAL REVENUES FOR THE CIVIL SERVICES.

102. THE HONOURABLE RAI BAHADUR PROMODE CHANDRA DUTTA : What is the total amount of salary charges payable out of the Central Budget for the Civil Services (excluding the Railways) ?

THE HONOURABLE SIR ARTHUR McWATTERS : The desired information is available in paragraph 52 of the Honourable Finance Member's Budget Speech.

RESOLUTION *RE* TREATMENT OF FIRST OFFENDERS.

THE HONOURABLE DIWAN BAHADUR G. NARAYANASWAMI CHETTI (Madras : Non-Muhammadan) : Sir, I beg to move the following Resolution :

" That this Council recommends to the Governor General in Council that legislation be undertaken as early as possible for dealing with first offenders in this country in the same way as first offenders are dealt with in England. "

[Diwan Bahadur G. Narayanaswami Chetti.]

In commending the Resolution to the acceptance of the House, I should like to point out that under section 562 of the Criminal Procedure Code the appointment of probation officers is not permissible. The passing of an Act similar to the one now in vogue in England which is called the Probation of Offenders Act of 1907 is an absolute necessity to get the right sort of probation officers who would be directly responsible to the Court for the proper behaviour of the men under their charge. This system is working well in England, Italy, Switzerland and other countries. If the Probation Act is introduced and becomes law, the offenders who commit petty offences for the first time can be successfully dealt with by not sending them to prison for short terms. The Conference of the Inspectors General of Prisons of various provinces held in 1925 have unanimously recommended to the Government of India the early introduction of a Probation Act on the lines of the English Act, and they have again reaffirmed their recommendation at the Conference held at Lucknow in 1929; they feel that the introduction of an Act in all principal towns throughout India will greatly facilitate the prevention of people being sent to prison for short terms of imprisonment. The Jail Commission in paragraph 434 of its Report have also recommended strongly the introduction of a similar Act. The various Administration Reports of the Inspectors General of Prisons of the Madras Presidency have also strongly recommended such an enactment. I will just read an extract from the Administration Report for the year 1928 :

“The increase in respect of those sentenced to terms of over one month and not exceeding three months, *viz.*, from 4,986 to 5,104, is perhaps to be expected: but I cannot help thinking that a great many of these short sentence cases could have been more adequately dealt with under a Probation of Offenders Act. My optimism of last year in regard to the introduction of such an Act by the Central Legislature has not been fulfilled; and if action by the Government of India is likely to be unduly protracted, I hope the Local Government will undertake legislation, as the way is clear in this Presidency for the working of the Probation system, and the absence of such a system is definitely hindering the proper development of criminal justice.”

In the Report for another year, 1927, it is also stated :

“This pleasing reduction in the number of prisoners sentenced to short periods of imprisonment is probably due to the action of Government in drawing the attention of the magistracy to the futility of short sentences, and also, no doubt, to a more extensive use being made of section 562, Criminal Procedure Code. Experience, however, goes to show that even the revised section 562, Criminal Procedure Code, is still too limited in its scope, and that its working has therefore not come up to expectations. The reason is not far to seek; it is that there is no organised probation system to permit of offenders dealt with under this section being properly supervised and controlled. Until such a probation system is called into being short sentences will continue to be passed, as magistrates will hesitate to deal freely with first offenders under section 562, recognising its limitations. I feel, however, that our goal is within sight and that a Probation of Offenders Bill will shortly be introduced by the Central Legislature, which will automatically bring the short sentence evil to an end. The Government of India are now considering the question, and the overwhelming evidence in favour of the probation system is bound to outweigh all other considerations.”

Sir, the Government of Madras in reviewing the Report of the Administration of Jails in the Madras Presidency for 1925 pointed out that the magistracy should see that persons are not sent to jails for short terms which does them no good from the reformatory point of view and sometimes does more harm than good. The Government must take into their hands the introduction of this legislative measure so that the Government and the public may come to a satisfactory decision on the question of the prevention of short

term imprisonment. The criminal law no doubt leaves the magistracy an option in the matter of exercising the provisions of section 562 of the Criminal Procedure Code, but it is very often that, wherever satisfactory sureties are lacking, the offender is sent to jail for short periods. If a Probation Act is introduced, the magistracy will have a free hand to hand over the offender to a Probation Officer who will see that the young delinquent behaves better and that if he misbehaves he is called upon to receive the sentence on his report for the original offence for which he is charged. This is all what is wanted. If the Legislature is pleased to pass a measure of this sort, the tax-payer will be benefited to the extent of not feeding these people even for a short term, and in the long run it will be a saving to the Government also. The social stigma attaching to a prisoner who goes to prison for a short term will also be removed. Anyone who has had any association with jails will realise the futility of sending young men and women to prisons for short terms, and it is a great responsibility for any magistrate to send a young delinquent to prison for the first time. These young persons who are sent to jails mix with grown up prisoners and are initiated into the ways of the more expert criminals with whom they come into contact. In England the Probation Act came into force in 1907 and in 20 years, that is, up to 1927, the provisions of the Act were expanded from 8,000 to 80,000 cases a year—a ten-fold increase in 20 years, and approximately one-half of the cases brought before the courts were benefited by the provisions of the Act; only about 7 per cent. of the persons who received its mercies appeared later for judgment, and in one district of 50 cases put on probation only one lapsed. As we never know what evil consequences may follow by sending a boy to jail for the first time, it is hoped that the fullest advantage of this Act would be taken into consideration when the Legislature enacts this measure. The success or otherwise of the working of the Probation Act will depend on the choice of Probation Officers; care must be taken to select men and women of good education who understand young children and who take an active sympathy in their interests. There must naturally be paid officers, and it is essential that the salary offered is such as to attract men and women of the right sort. As juvenile crime has comparatively little to do with any special depravity on the part of the offender and very much to do with parental neglect and bad example, prison is the last form of treatment. Every young offender before being brought to court should have been in the hands of a Probation Officer who will have investigated the antecedents and have tried to discover the cause of the delinquency. Having found everything possible, the child should then be brought before the court and dealt with. It is the individual who should be considered, and not the crime. We are too ready to treat the child as a wrong doer who must be punished.

In America the view is different; there the purpose of the court proceedings is not punishment but correction of conditions, care and protection of the child, and a prevention if possible of the recurrence. The court definitely recognises that the child is before it as a result of conditions not of its own making and that the child has a chance to be saved to the State and not punished by it. Punishment can be curative but it must be just, and to punish children whose offences are brought about by adverse social, physical and mental conditions is both useless and unjust; so with young offenders probation must be tried first of all. Therefore I earnestly appeal to Government to accept this my Resolution and take early action in the direction of introducing an all-India Probation Act for first offenders.

Sir, I move.

THE HONOURABLE MR. H. W. EMERSON (Home Secretary): Sir, the object of the Honourable Member is to draw the attention of Government through this House to the importance of early legislation in India on the lines of the English Act, 1907, and of the subsequent English Act of 1914. It not infrequently happens that those who advocate measures of social reform are more concerned with precept than with practice, and are content to leave to others the hard work of applying the measures in particular cases. The Honourable Mover of this Resolution is not among that class. He has been an enthusiastic and practical worker for a number of years and his services in the cause of prison reform have merited and have received the thanks of the Madras Government on many occasions. It is, in fact, due to the efforts of public-spirited gentlemen like himself that the province of Madras leads the way in the matter of jail administration. It is therefore only proper that when the Honourable Member makes to Government a recommendation of this nature that Government should sympathetically view it. In fact, so far as the principle of the Resolution is concerned, the Honourable Member is preaching to the converted. The Government of India are in no doubt, and have been in no doubt for some time, of the desirability of legislation to deal with questions of the probation of first offenders and also of juvenile offenders. They must however recognise—and I have no doubt the Honourable Member himself recognises—that conditions vary greatly in different provinces and for this reason the method followed by Government in the past has been to proceed by way of provincial experiment. Thus, for instance, Acts for the protection of children have been passed in Bengal, in Bombay and in the Honourable Member's own province. At the same time, Government appreciate the desirability of an all-India Act relating to the probation of offenders. The preliminary work to this end is almost complete. Local Governments were consulted some time ago. Their replies have been received and have been carefully examined. Mr. Gwynne, the Joint Secretary in the Home Department, who is in charge of this subject and who is himself a practical enthusiast in the cause of jail reform, has written a most valuable and comprehensive note on the subject, and I think I can say that the principle of an all-India Act has practically been accepted. There are several reasons why it has not yet been introduced. During the past year Government have been busy with other pre-occupations; but we may now hope with some confidence that some at least of those pre-occupations are matters of the past. While, therefore, I can give no definite assurance that a Bill will be introduced in the next Session of the Legislature I can give an assurance that it will be introduced as soon as circumstances will allow, and I hope the Honourable Member will be content with that promise.

In regard to the nature of the legislation, the Honourable Member will realise that it is not practicable to impose obligations on Local Governments which they may not for one reason or another be able forthwith to implement. The legislation must therefore be of an enabling character, so that while the provisions will allow of a uniform method of treating this very important problem throughout India, the time of its introduction in various provinces must be left to the decision of Provincial Governments. In this connection it is hardly necessary to remind the House that the value, and indeed the practicability, of a measure of social reform of this character depends far less on what Government may do than on what private associations and private individuals are willing and are able to do. The great success of the Probation Act in England has been due to the voluntary work of societies and of private persons. Work of the same character has begun in India, and in Madras the Honourable Member himself and others have associated themselves

with such work. In several other provinces too a start has been made. But there is as yet nothing which can compare with what private effort is doing in England, and with the best of goodwill, Government cannot, merely by introducing legislation, help the cause forward unless it gets the active support of various societies and workers. In drawing public attention to this matter in this House, the Honourable Member has made a further contribution to the excellent work he is doing, for I feel confident that the more the attention of the public is directed towards this subject, the greater will be the chance of legislation, when it is passed, proving a success.

THE HONOURABLE DIWAN BAHADUR G. NARAYANASWAMI CHETTY : Sir, in view of the statements made by the Honourable Mr. Emerson I do not want to press this Resolution. I am glad the Government of India are taking a great deal of interest in this matter. Though circumstances did not permit them to bring this legislation now, I hope before at least the end of this year, or at least during the next year, this Bill may be introduced ; it will give me the greatest satisfaction. In this connection I may also say that I am glad of the great interest taken by the Honourable Mr. Emerson and Mr. Gwynne in this subject. Mr. Gwynne, as has been rightly said, has taken a personal interest in this question, and I hope that before Mr. Gwynne leaves the Home Department this Bill will be introduced, and that Mr. Emerson will be able to do so in the next Session.

Sir, with your permission, I ask the leave of the House to withdraw the Resolution.

The Resolution was, by leave of the Council, withdrawn.

RESOLUTIONS *RE* ROUND TABLE CONFERENCE.

THE HONOURABLE THE PRESIDENT : Before I call on the Honourable Mover of the next Resolution I will invite his attention to the fact, of which he is no doubt already aware, that time has been allotted to-morrow for a comprehensive Resolution and a comprehensive debate on the subject of the Round Table Conference. Therefore, in order that that debate should not be prevented, I shall have to confine the Honourable Member strictly to the two points to which he refers in his Resolution, that is to say, the locality for the next session of the Round Table Conference and the co-option of a certain number of additional members. At the same time, I would ask him whether it is worth while to bring the matter up to-day when he will have an opportunity to-morrow of saying all that he could say to-day and a great deal more.

THE HONOURABLE RAJA RAGHUNANDAN PRASAD SINGH : (Bihar and Orissa : Non-Muhammadian) : I will withdraw my Resolution,* Sir.

THE HONOURABLE MR. ABU ABDULLAH SAIYID HUSSAIN IMAM : Bihar and Orissa : Muhammadian) : In view of the debate that is to take place to-morrow, I wish to withdraw my Resolution† also.

*"That this Council recommends the Governor General in Council to recommend to His Majesty's Government :

(a) to hold the next session of the Round Table Conference at New Delhi ;

(b) to co-opt twelve more members to the said Round Table Conference."

†"This Council recommends to the Governor General in Council to submit the report of the Round Table Conference to the House for discussion."

RESOLUTION RE PREVENTION OF THE ADULTERATION OF GHEE.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS (Punjab : Non-Muhammadan) : Sir, I rise to move the Resolution which reads as follows :

"That this Council recommends the Governor General in Council to take steps with a view to preventing the cheating of the public by the adulteration of ghee and, in order to secure uniformity of practice throughout British India, to impose a statutory penalty on the sale as ghee of ghee adulterated with *vanaspati* or any other substance whatsoever."

I venture, Sir, to move this Resolution and bring the matter of *vanaspati* ghee before this Honourable House again. In the year 1926, on the 3rd March, I moved a Resolution in this Honourable House as regards the imposition of a heavy duty on the imports of *vanaspati* ghee. I then explained at length the reasons which led me to move the Resolution. In 1928, on the 8th February, I again moved a Resolution in which I asked the Government to prohibit the imports of *vanaspati* totally into India unless that was given a permanent artificial colouring which was not injurious to health. This Resolution was adopted by the House. The Government of the Punjab supported my proposal and the Ministry controlling the subject of Health addressed the Government of India pressing upon them the proposal. I find, Sir, from the various reports, that the various institutions and Governments whom the Government of India consulted were of opinion that my proposal was a sound one and ought to be adopted. There were of course naturally a few differences of opinion and these emanated particularly from those who had personal or business interests in this commodity. It was in 1917 that this commodity was first introduced into India. In 1914, Sir, the price which the Government of India paid for ghee for the use of its troops was 7 annas per lb. and the bazaar rate of ghee was Rs. 40 to 42 per maund. The Government demand then was about 28,000 maunds a year. Then, Sir, when later on the free rationing to the Indian Army started the Government demand for ghee rose to a higher figure, and in 1916, owing to the war, the Government demand for ghee was as big as 9 lakhs of maunds. Then, Sir, India was unable to meet that demand, and as far as my information goes, 5 lakhs of maunds were supplied by India and the remaining balance of 4 lakhs of maunds were found by Egypt, Mesopotamia and other countries. In 1916, Sir, the price of ghee rose to Rs. 64 a maund, and this rise in price led the people to go on with adulteration on a very large scale. In 1917, the demand of Government for ghee fell to 3½ lakhs of maunds. In 1919, the price of ghee again rose to Rs. 90 a maund and in 1920 to Rs. 105 a maund. Now, Sir, this year the price of ghee touched Rs. 40 to 45 a maund but it is now again Rs. 52 a maund.....

THE HONOURABLE THE PRESIDENT : I hope the Honourable Member will shortly show the relevance of this discussion on the price of ghee and the demand for ghee on the subject of the adulteration of ghee.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : Sir, I am putting these figures forward only to strengthen my argument that when the price of ghee falls, the import of and demand for *vanaspati* also falls. Sir, when I am going to strengthen my arguments by giving the rates, I think I am in order. The Government demand now is about 2,500 tons a year. Because the price of the ghee has fallen, the price of the vegetable compound has also fallen which is now Rs. 27 to Rs. 32 per maund as against Rs. 35 to Rs. 40 a maund which used to be the rate when ghee was at the highest rate. In the year 1927-28 the import of vegetable products into India was.....

THE HONOURABLE THE PRESIDENT: I am afraid the Honourable Member has not convinced me. I must ask him to come to the subject of adulteration.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Very well, Sir. I bow to your orders and I will not go into the figures and will deal purely with the matter of adulteration. The Punjab Government introduced a Bill further to stop adulteration and that Bill was carried in the Punjab Council in the year 1929. Various other Provincial Governments have also got Food and Drugs Acts in force and so have various corporations. But, Sir, notwithstanding all that, this adulteration is going on on a very large scale. The Honourable Major-General Symons in speaking on my last Resolution said that this vegetable compound was not poisonous and its admixture with ghee was not detrimental to health. As regards this Resolution of mine I do not want to go into the merits or demerits of this *vanaspathi*. I simply want to say that some statutory provision ought to be made whereby this adulteration on this large scale may be put a stop to. The people are being cheated because adulterated ghee is being sold as pure ghee. I simply want the support of the Government in preventing this fraud, and I think, Sir, that in regard to this matter public opinion has expressed itself very strongly in favour of a stoppage of this wholesale adulteration. An argument was advanced some time back and has been repeated from time to time that even before this *vanaspathi* or vegetable compound appeared on the scene in India, ghee was already adulterated with other things. That is true, Sir, but the adulteration then was not on the large scale on which it is practised now. That adulteration also was easily distinguishable by the eye or the nose or by taste. But this stuff has no taste and no smell and it is very difficult to distinguish it from pure ghee.

THE HONOURABLE SIR MANECKJI DADABHOY: How will the prosecution be successful then?

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Well, my friend Sir Maneckji wants me to answer a question which I must leave to the Government. I want a statutory provision made and then I leave it to the executive to act and to see that the object of that provision is carried out. It is not my function to carry out the provision; that is the function of Government.

Sir, one more point which I wish to put forward is this, and I put it forward as a proposal for Government to consider. I leave it entirely to Government to find the means for preventing this fraud which they may consider suitable. But, Sir, I will recite section 272 of the Indian Penal Code and suggest wherein it will be possible for Government to amend it. Section 272 reads as follows:

"Whoever adulterates any article of food or drink so as to make such article noxious as food or drink, intending to sell such article as food or drink, or knowing it to be likely that the same will be sold as food or drink, shall be punishable with imprisonment of either description for a term which may extend to six months, or with fine which may extend to one thousand rupees, or with both."

In the commentary on this section I find that the word "noxious" means injurious to health, that is, paddy soaked in dirty water, or toddy in which germs have germinated or bread mixed with alum. It is not an offence to sell inferior food cheap or to sell the mixture as food or knowing it to be likely that it will be sold as such does not constitute an offence under this section.

[Rai Bahadur Lala Ram Saran Das.]

It is true that the mixing of pig's fat with ghee and selling the mixture would be noxious to the religious and social feelings of both Hindus and Muhammadans, but I am of opinion that such an act would not come within the meaning of the expression "noxious as food" which occurs in section 272 of the Indian Penal Code. That expression obviously means unwholesome as food or injurious to health and not repugnant to one's feelings. The word "noxious" had it stood by itself might have had a wide meaning, but what I have to consider is the expression "noxious as food" and not merely noxious. Well, in these days, Sir, when public opinion has grown very strong, admixtures like those which used to take place in the past cannot be tolerated now. If any substance is used which wounds the religious feelings of any community it ought not to be allowed as an adulterant, and I think it is the duty of Government to put a stop to any such practice forthwith. So, Sir, in putting forward my Resolution I want to lay these two points before the House. One is that pure ghee is unobtainable and adulterated ghee is being allowed to be sold freely as pure ghee and Government are practically becoming a party to the fraud. The sooner that is put an end to the better.

Then, Sir, as regards the remedy sought for in this Resolution, I am not a lawyer and so suggest the best course for Government to adopt. I leave the details to them and all I want to press for is that the object of this Resolution should be carried out. All the Provincial Governments are of one opinion that this adulteration should not be allowed to go on any further. I am not advocating now that the import of this *vanaspati* should be altogether stopped or that a heavy duty should be put upon it. The other day, Sir, in the Legislative Assembly my Honourable friend Mr. Bhupat Singh moved a relative Resolution which was carried in that House. That shows, Sir, what a great demand there is in the public against this crime and practice which is going on.

With these words, Sir, I strongly commend this Resolution to the favourable consideration of this House.

THE HONOURABLE RAJA RAGHUNANDAN PRASAD SINGH (Bihar and Orissa : Non-Muhammadan) : Sir, I rise to lend my humble support to the Resolution just moved. Sir, the very fact that the question of *vanaspati* ghee has been brought and discussed before the House year after year during the past several years points to the great importance of the subject as also to the extent the article is hated by all sections of the Indian public except, of course, the traders who would not mind making large profits, be it even at the cost of further undermining the already fearfully undermined constitution of the people. Granting that, as was said by the Honourable the Commerce Secretary last year, 90 per cent. of the population of my Province, Bihar and Orissa, would use the article being too poor to go in for pure ghee, I would like to point out that they may have a liking for the vegetable product, regard being had to its cheapness, but certainly they would spurn the adulteration of pure ghee with any proportion of that product and any attempt to make it pass muster as genuine ghee. Sir, *vanaspati* may be a wholesome article of food, as has all along been sought to be made out on behalf of the Government, and let the poorer classes consume it as much as they may, but there ought to be some effective guarantee that they get genuine *vanaspati* and not ghee properly so called adulterated with it and sold as genuine ghee. So far, Sir, as I have been able to find out after such enquiry as I could make, it is not the consumers but the traders in ghee who purchase *vanaspati* for purposes of adulteration and, therefore, of immoral gain. The consumers get the

adulterated ghee at the rate, not of the vegetable product, but of pure ghee. The Resolution, Sir, is directed to the stopping of this campaign of cheating that is going on.

Sir, the Honourable the Commerce Secretary, in opposing Mr. Surput Sing's Resolution last year, was pleased to observe that even if the import of *vanaspati* was stopped, it would not prevent the largely prevalent practice of adulterating ghee with even worse ingredients than *vanaspati*, e.g., *mahua* oil and even fats obtained from carcasses of animals. May I ask, Sir, if it is not incumbent on the Central Government to take effective measures, say, by necessary legislation, to stop such adulteration altogether. The Penal Code penalises adulteration of articles of food with noxious ingredients. Why not extend the penalty to adulteration with any ingredients, noxious or not, if the object of the adulteration is to pass off a spurious article for the genuine one ?

THE HONOURABLE KHAN BAHADUR CHAUDRI MUHAMMAD DIN (East Punjab : Muhammadan) : Sir, pure ghee cannot be had at any price in our towns and adulterated ghee certainly affects the health of the people. Any attempt to remove this longstanding grievance would be in the right direction, and I give my whole-hearted support to the Resolution moved by my friend, the Honourable Rai Bahadur Lala Ram Saran Das.

THE HONOURABLE SARDAR BAHADUR SHIVDEV SINGH UBEROI (Punjab : Sikh) : Sir, this subject appears to have been a pet of my friend Rai Bahadur Lala Ram Saran Das for many years. He has been putting it forward before the Council in one form or another. I think this time he has put it in the most innocent form which does not affect the import of that commodity called *vanaspati* or vegetable ghee. Neither should there be any objection to bringing forward any legislation for the purpose of saving the people from paying more for an article which is not pure ghee. I do not wish to enter into the food value of that product, nor have I the intention of suggesting the stoppage of the import of that commodity into India. I have seen, I have heard, that that commodity is used, and though it does not contain the same amount of vitamins as pure ghee, yet it is used by people who cannot afford to purchase the latter. Pure ghee was very dear some time back, but fortunately it has come down in price recently. My Honourable friend's real intention is that the purchaser should not be made to pay for a commodity which is not really the same as he intends to purchase. I think that the Government should accept such an innocent and harmless suggestion. Of course there are provisions already in the Indian Penal Code and I understand also in the Municipal Acts, but they are so complicated that it would not be an easy thing to prove in a court of law, to bring the offender who mixes that commodity with real ghee which is very difficult to discriminate, to conviction under the section which is meant for offences of cheating. He has also explained to this Honourable House that section 272 which deals with a mixture in food which makes that food obnoxious cannot be applied to this, because this commodity if mixed with pure ghee will not be obnoxious for human use. So I think the Government of India should make such a statutory provision by which this mixture may be prevented and adulteration of this commodity with pure ghee may be prevented, so that the purchaser may get the proper thing for the price he pays.

THE HONOURABLE DIWAN BAHADUR G. NARAYANASWAMI CHETTI (Madras : Non-Muhammadan) : Sir, I rise to support the Resolution of my

[Diwan Bahadur G. Narayanaswami Chetti.]

Honourable friend Lala Ram Saran Das. I think legislation on these lines is absolutely necessary. Under the general section of the Penal Code, it is very difficult to prove this adulteration; therefore it is absolutely necessary that the Government of India should propose amending sections to the existing one in the Penal Code. Sir, the adulteration of ghee is felt in every part of India and it is very difficult to detect fraud. It is an important item in the food of both Hindus and Muhammadans. The matter should not be delayed any further. I only hope that the House will accept the Resolution unanimously and that the Government will not delay any further the enactment of necessary legislation in this matter.

I have great pleasure in supporting the Resolution.

THE HONOURABLE SIR FRANK NOYCE (Education, Health and Lands Secretary): Sir, as several of the previous speakers have reminded us, this is not the first occasion on which the question of adulteration of ghee has been discussed in this House. My Honourable friend Lala Ram Saran Das, as he said just now, moved his first Resolution on the subject in 1926 when he recommended that an *ad valorem* duty of 100 per cent. should be imposed on *vanaspathi* ghee and other similar preparations imported into this country to be marketed as artificial ghee or for adulteration with pure ghee. As was the case with the Sibylline books, his demands went up on every subsequent occasion. In 1928, he suggested that the *ad valorem* duty should be 150 per cent. In 1929, he asked for total prohibition of import. That request was repeated by the Honourable Mr. Surput Sing last year. The Honourable Mover of this Resolution is therefore fighting on ground which to him is very familiar. On this occasion, however, he has shifted his position to another part of the field, and that is the reason why he has to-day

12 Noon. an antagonist less worthy of his steel than he has had on past occasions. He is not now asking for the total prohibition of import of *vanaspathi* ghee, but requests Government to take steps to impose a statutory penalty on the sale of adulterated ghee. That is a matter of internal administration, and it is for that reason that it has fallen to my lot to deal with the Resolution to-day instead of its being dealt with by the Honourable Mr. Woodhead as it had been on former occasions. From the fact, Sir, that this question has been so often before the House it will be gathered that there is little new to be said about it. I do not propose to enter at any length—nor has the Honourable Member's speech on his Resolution made it necessary for me to do so—into the question whether *vanaspathi* ghee is a wholesome product or not. I would refer Honourable Members to the reports of previous debates in which this aspect of the question has been very fully discussed. I would only say that speakers on this side, both in this and the other House, regard it as firmly established by expert opinion that vegetable product has a definite food value and is not injurious to health, though they are prepared to admit that, as it is deficient in certain vitamins, its use may indirectly affect the health of persons who do not obtain those necessary vitamins through other sources, that is, by means of fresh vegetables, milk or other food which contain them. But, Sir, to admit that vegetable ghee is a wholesome substance possessed of a definite food value is a very different thing from admitting that it is desirable that it should be adulterated with ghee and sold as such. I am on common ground with the Honourable Mover of this Resolution in holding that a man who wishes to buy pure ghee is entitled to obtain it. Where I differ from him is in regard to the remedy which he wishes to adopt in order to ensure this. He asks that

the Government of India should take steps with a view to secure uniformity of practice throughout British India, to impose a statutory penalty on the sale of adulterated ghee. This aspect of the case was discussed in the course of the debate last year as the result of an amendment moved by the Honourable Sardar Shivdev Singh Uberoi, who wished the Governor General to make rules to provide that the mixing of the commodity which passes by the name of vegetable produce with indigenous ghee prepared from the milk of cows and buffaloes for purposes of sale might be made penal. Now, Sir, I take objection to the Honourable Member's proposal for two reasons. I am not quite clear why he asks that the Government of India should impose a statutory penalty on the sale of adulterated ghee. I am not a lawyer, and the interpretation of the Penal Code is a matter for more able speakers than myself to deal with, but it seems to me that the remedy for which he asks is contained already in the Penal Code. I would refer him to the illustrations given under section 415 of the Indian Penal Code, illustrations (c) and (e). (c) reads as follows :

"A, by exhibiting to Z a false sample of an article, intentionally deceives Z into believing that the article corresponds with the sample, and thereby dishonestly induces Z to buy and pay for the article. A cheats."

"(e) A, by pledging as diamonds articles which he knows are not diamonds, intentionally deceives Z, and thereby dishonestly induces Z to lend money. A cheats."

It seems to me, therefore, Sir, that the statutory penalty asked for by the Honourable Mover of this Resolution already exists. If A, by tendering to Z ghee which has been adulterated with *vanaspati* ghee, induces him to buy it as pure ghee, he can be prosecuted under the Indian Penal Code. But, Sir, I think that, if the Penal Code had really been a suitable weapon for dealing with this offence, it would have been used for that purpose and the Local Governments would not have found it necessary to pass the various provincial Acts dealing with this subject. In all provinces, except in Assam, there is a Food Adulteration Act. And even in Assam provision exists in the Municipal Act and the Local Self-Government Act prescribing standards of purity for articles of food, including ghee and butter and prohibiting the sale of food not of the proper nature, substance or quality and not of the prescribed standard of purity. Keeping adulterants in places where ghee is manufactured is prohibited in most of the provincial Acts dealing with adulteration of food and in the two Assam Acts which I have mentioned. The Honourable Member may maintain that, with the exception of the recently enacted Punjab Pure Food Act, 1929, which deals with this question of the adulteration of ghee in a more thorough and comprehensive fashion than any other provincial Act, these Acts do not go far enough. That, Sir, is a matter of opinion. One Local Government, that of the United Provinces, has undoubtedly agreed with him and has recently greatly strengthened its Prevention of Adulteration Act. As in the Punjab, a person who is guilty of a third offence in regard to the adulteration of ghee is now liable, at the discretion of the Magistrate, to a term of imprisonment.

The Honourable Mr. Woodhead, in the course of the discussion last year, stated that the Government of India intended to address Local Governments on this matter and to ask them to consider the advisability of legislating for the prevention of adulteration of ghee on the lines of the Punjab and the English Acts, in other words, of tightening up their legislation in regard to the adulteration of food, with special reference to ghee. He also stated that if Local Governments found that, in order to make their legislation effective, Central legislation on the subject of the nomenclature of vegetable product at the time of import was necessary, the Government of India were quite prepared to consider the introduction of such legislation. As the Honourable

[Sir Frank Noyce.]

Sir George Rainy has pointed out in another place, no Local Government has so far asked for such legislation. As he also went on to explain, Local Governments have recently been asked what steps they themselves have taken in the matter of passing further provincial legislation. I have already mentioned the Punjab and the United Provinces Acts which seem to me to go very far to meet the views of the Honourable Mover of this Resolution. The Central Provinces have informed us that they do not consider special legislation necessary, as bye-laws regulating the sale of ghee, of vegetable products, and prevention of adulteration are in force in most of their municipalities. The Bombay Government have issued a notification under the Bombay Prevention of Adulteration Act prescribing that no ghee substitute that resembles ghee shall be sold except under the name of vegetable product or *vanaspati*. Packages containing these substances have to be conspicuously marked with the name, "vegetable product" or "*vanaspati* ghee". It is true that this notification applies only to the Bombay Municipality at present, but the question of extending it to other municipalities is under consideration. The Government of Madras hold that their Prevention of Adulteration Act of 1918, as amended in 1928, prevents the sale as ghee of what is not pure ghee. The Government of Bihar and Orissa are considering the question of legislation. The Government of Assam do not consider legislation necessary, whilst the Government of Burma, although it has a special Act passed in 1917 for preventing the adulteration of ghee, is considering the question of dealing with such adulteration in connection with the rules to be made under its Food and Drugs Act which was passed two years ago. I have left Bengal to the last as the reply the Government of India have had from the Local Government on this subject seems to me to deserve quotation at length. It has been placed in the Library of the House, but Honourable Members have probably not yet had an opportunity of studying it. The Government of Bengal have forwarded for the information of the Government of India copies of certain notifications the effect of which, so far as concerns the sale of ghee, will be in their view, so far as statutory provisions and standards of analysis can bring it about, to ensure that what is sold as ghee is pure ghee. They go on to add that enquiries into conditions under which vegetable products are sold show that it is by no means easy to impose any adequate restriction on the use of the term "vegetable ghee". This term, though in common use verbally both among vendors and purchasers, does not in fact appear on the label of such brands of vegetable products as have come to the notice of the Local Government nor in the shops of vendors of this commodity. The so-called vegetable ghee is labelled under the name of some brand such as "Lily brand", etc., with or without the addition of the words "vegetable product", the use of the word "ghee" being carefully avoided. In some cases, the words "substitute for ghee" are added to this description. In these circumstances, the practice, against which legislation might be directed, of labelling the vegetable product with the word "ghee" as a qualifying attribute does not appear to have come into existence, at any rate on any scale which would justify special legislation.

I would repeat, Sir, that the Government have every sympathy with the object aimed at by the Honourable Mover of this Resolution, but they feel that this is a matter which, so far as it cannot be dealt with by the Indian Penal Code, is one which can best be dealt with by provincial legislation. They remain of the opinion that the regulation of the sale of ghee so as to ensure that what is sold as ghee is pure ghee must be effected by local or municipal rules and bye-laws framed under the provincial Statutes. The Local

Governments are the best judges of the necessity for strengthening their present legislation and as to the action which should be taken to make it effective. The Honourable the Mover of this Resolution has not, I would submit to the House, established the necessity for any further legislation. The province from which he comes has set other Local Governments an example in this as in many other respects. If they feel the necessity for following that example, I think they can be safely trusted to do so. In these days, when provincial autonomy is the accepted policy, an exceptionally strong case would, I venture to think, have to be made out for interference with their discretion in this respect.

I may perhaps mention for the Honourable Member's information that the Government of India have recently asked Local Governments to report what standards they are adopting for such important articles of consumption as ghee, butter and tea. As soon as they receive complete information on this subject, they will consider what can be done towards bringing about the adoption of uniform standards of purity for these articles throughout India. The possession of this information might be of assistance to Local Governments in carrying out their schemes for the prevention of adulteration of ghee, amongst other products.

I trust, Sir, I have convinced this House that there is no necessity for the remedy suggested by the Honourable Mover of this Resolution, the offence of selling adulterated ghee can be dealt with under the Indian Penal Code or it cannot. In so far as it can be dealt with under the Indian Penal Code, there is no necessity for any further legislation on the subject. In so far as the Indian Penal Code is not a satisfactory weapon for dealing with it, the best way of doing so is under the Adulteration of Foods Acts which are in force in all the provinces. It may be that they need strengthening, but that is a matter for the Local Governments. I shall be very glad to circulate copies of this debate to them as further evidence, if they need it—and I hardly think they do—of the interest which is taken on this subject both in this and the other House. I trust that will satisfy the Honourable Mover of this Resolution, but if it does not, I am afraid that I am compelled with regret to oppose his Resolution.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Sir, the reply which the Honourable Sir Frank Noyce has given has rather confused me. In the first place, Sir, he has said that section 415 of the Indian Penal Code covers the matter which is the object of my Resolution. I am not a lawyer, but when the legal authorities have given their verdict, as has been commented upon under section 272, I think that section 415 does not apply. Otherwise, the legal authorities who decided that case ought to have dealt with this matter under section 415. As a layman, Sir, I say that the subsection (e) of the illustrations which the Honourable Sir Frank Noyce has given :

"A, by pledging as diamonds articles which he knows are not diamonds, intentionally deceives Z, and thereby dishonestly induces Z to lend money, etc. A cheats."

does not apply. The diamond can be easily distinguished from a non-diamond or from an imitation as adulteration in a diamond is impossible. But, Sir, the subject-matter of my Resolution is adulteration of ghee which adulteration cannot be distinguished either by the nose or by the tongue or by the eye.

Then, Sir, my Honourable friend goes on to say that the Government of India is in sympathy with the object of my Resolution. Is it lip sympathy or a real and practical sympathy? In case it is a practical sympathy, it

[Rai Bahadur Lala Ram Saran Das.]

ought to be translated into practice. In case the matter is to be shunted away for one excuse or another, let it be said so frankly. This is a matter on which the country has a very strong public opinion. It has again been argued whether vegetable compound is wholesome or unwholesome. I have said, Sir, in the beginning of my speech that I am not going to bother myself or bother the Government about the wholesomeness or otherwise of the vegetable product. What I say is this. The time has now come when a statutory provision ought to be made. In case section 415 of the Indian Penal Code covers it, let the Government of India make it clear in any manner that they deem fit that this section covers it. Then I shall be satisfied. But simply to say that in case the Indian Penal Code covers it, it does, in case it does not, it does not—that is not a fair reply from the Government. The time has come when Government ought to be certain on the point on which they answer or take their stand. This sort of reply injures the feelings of many people, who conclude that Government want to evade action. I do not think that is right. This is a fraud that is being committed on the public, and the Government admits that this fraud is going on. Provincial Governments admit that this fraud is going on. Still, the Honourable Member says that in case I press my Resolution he will oppose it. That means that Government want to continue to be a party to the fraud which is in full swing now. I say so, Sir, because that is a fact. Of course it is very unfortunate that to our demands which also cover religious as well as other just grounds Government is apathetic. I wish Government to be really sympathetic and come to the help of the people in rescuing them from this fraud which is being committed upon them increasingly every year.

In regard to Sir Frank Noyce's reference to the Punjab Act being now a law in the Punjab, I am sorry to state that, although that Act was passed in 1929, no rules have been framed under it so far and practically that Act is not in force. Of course it is very easy for Government to reply that rules are being framed, which take time, and the law will be translated into practice soon. God knows when. But I want the Government to hurry up and to see to it that whatever they mean to do is done and that red-tape should not delay the carrying out of their intentions. We all know, Sir, that the Indian Penal Code does deal with matters which are matters of provincial control falling within the purview of the Legislative Councils of the various provinces, but all the same there is an all-India Statute. What I want is that there should be uniformity in the law, all over India. Every province wants this done. I see from the Government papers before me that every Provincial Government desires to put a stop to this fraud. Does the Government of India want any more proof when there is a demand there from all the Governments? Of course they differ as to details, but in the real basic matter they are all one. I wish the Government to consider this question in the light of the representations and the strong demand put before it by the representatives of the public in this House and in the Legislative Assembly.

With these words, Sir, I strongly represent to the Government that they should accept this Resolution.

THE HONOURABLE THE PRESIDENT : The question is :

"That the following Resolution be adopted :

'That this Council recommends the Governor General in Council to take steps with a view to preventing the cheating of the public by the adulteration of ghee and, in order to secure uniformity of practice throughout British India, to impose a statutory penalty on the sale of ghee of ghee adulterated with *vanaspathi* or any other substance whatsoever.'

The Council divided :

AYES—13.

Akbar Khan, The Honourable Major Nawab Sir Mahomed.
Ayyangar, The Honourable Mr. K. V. Rangaswamy.
Ayyar, The Honourable Sir C. P. Ramaswami.
Ghose Moulik, The Honourable Mr. Satyendra Chandra.
Halim, The Honourable Khan Bahadur Hafiz Muhammad.
Jagdish Prasad, The Honourable Rai Bahadur Lala.

Khaparde, The Honourable Mr. G. S. Mehta, The Honourable Mr. H. M. Muhammad Din, The Honourable Khan Bahadur Chaudri.
Raghunandan Prasad Singh, The Honourable Raja.
Rampal Singh, The Honourable Raja Sir. Ram Saran Das, The Honourable Rai Bahadur Lala.
Uberoi, The Honourable Sardar Bahadur Shivdev Singh.

NOES—23.

Basu, The Honourable Mr. Bijoy Kumar.
Bhore, The Honourable Sir Joseph.
Browne, The Honourable Mr. P. H. Charanjit Singh, The Honourable Sardar.
Dadabhoi, The Honourable Sir Maneckji.
Devadoss, The Honourable Mr. M. D. Dutta, The Honourable Rai Bahadur Promode Chandra.
Emerson, The Honourable Mr. H. W. Ghosal, The Honourable Mr. Jyotananath.
Hafeez, The Honourable Mr. Syed Abdul Hamid, The Honourable Mr. A.
Harper, The Honourable Mr. K. B.
Irving, The Honourable Mr. Miles.

Megaw, The Honourable Major-General J. W. D.
Mitter, The Honourable Sir Brojendra.
Muzammil-ullah Khan, The Honourable Nawab Sir Muhammad.
Natesan, The Honourable Mr. G. A.
Noyce, The Honourable Sir Frank.
Thompson, The Honourable Sir John.
Wacha, The Honourable Sir Dinshaw.
Whitty, The Honourable Mr. J. T.
Woodhead, The Honourable Mr. J. A.
Zakaullah Khan, The Honourable Mr. Abu 'Abdullah Muhammad.

The motion was negatived.

RESOLUTION *RE* FIRING ON CROWDS.

THE HONOURABLE MR. SATYENDRA CHANDRA GHOSE MOULIK (West Bengal : Non-Muhammadan) : This Resolution, of which I gave notice, is a very old one and it was accepted unanimously by this House as far back as 1921. My point in bringing forward this Resolution again was to show that the happenings of the last few years, nay of the last few months, have gone to prove that the good aspect of the Resolution was entirely lost sight of and it was honoured more in the breach than in the observance. But, Sir, in view of the happy ending of the peace talks between Lord Irwin and Mahatma Gandhi, and as the gloom on the political horizon is just clearing up, and as there is every prospect of the dawn of a new era of mutual understanding, I do not think my Resolution, if pressed forward, would serve any useful purpose but would open up old sores and wounds and in its train create a feeling of bitterness.

I beg to withdraw the Resolution.*

*“ In view of the fact that firing is being often resorted to for the purpose of dispersing crowds, this Council recommends to the Governor General in Council that necessary orders be issued to all officers to observe in every case the following condition put forward in a Resolution by the Honourable Mr. Srinivasa Sastri on the 3rd March, 1921, and accepted by this Council.

‘The Magistrate or other Civil or Military officer responsible shall take all reasonable precautions to see that no more injury is inflicted on the crowd or assembly than is absolutely necessary’.”

THE HONOURABLE THE PRESIDENT: If I had known that the Honourable Member was withdrawing his Resolution, I should have stopped him long ago. The rules require that he should make a mere statement to the effect that he is withdrawing.

The Council then adjourned till Eleven of the Clock on Tuesday, the 10th March, 1931.

COUNCIL OF STATE.

Tuesday, 10th March, 1931.

The Council met in the Council Chamber of the Council House at Eleven of the Clock, the Honourable the President in the Chair.

MEMBER SWORN :

The Honourable Sir Phiroze Cursetji Sethna, Kt., O.B.E. (Bombay : Non-Muhammadan).

QUESTIONS AND ANSWERS.

NUMBER OF EXAMINATIONS HELD FOR THE RECRUITMENT OF THE MINISTERIAL ESTABLISHMENT OF THE GOVERNMENT OF INDIA SECRETARIAT.

103. THE HONOURABLE RAI BAHADUR PROMODE CHANDRA DUTT :

1. Will Government be pleased to state the number of examinations held by the Staff Selection Board and the Public Service Commission for the recruitment of the ministerial establishment of the Government of India Secretariat? What was the total number of candidates examined and how many of them were declared qualified?

2. How many candidates from Assam appeared at these examinations and how many of them were declared qualified? How many of those qualified candidates have been absorbed in permanent appointments?

3. If any of them have not been appointed permanently, will Government please state the date of their passing the examination and the period of service rendered by them under Government?

4. Will Government please refer to the reply given to starred question No. 882 of the 6th September, 1927, in the Legislative Assembly and state the reasons for their not being confirmed?

5. At the time of the last examination held by the Public Service Commission, were there centres at places other than Simla or Delhi? Do Government propose to have a centre at Shillong in future?

THE HONOURABLE MR. H. W. EMERSON : 1. Seven examinations have been held for recruitment to the clerical staff of the Government of India Secretariat offices. The number of candidates examined and the number declared qualified are as follows :

Year.	Candidates examined.	Candidates declared qualified.
1920	1,714	674
1922	1,340	504
1924	563	191
1925	813	177
1926	1,357	161
1929	462	88
1931	920	Results have not yet been announced.

The examinations of 1926 and 1931 were competitive.

2 and 3. The information is not readily available and as recruitment is not made on a provincial basis the collection of the information will serve no useful purpose.

4. I have no definite information about candidates from Assam. There may be some candidates who qualified in these examinations and have not yet been absorbed in permanent posts. This is chiefly due to the absence of permanent vacancies in the departments in which they are working.

5. The reply to the first part is in the affirmative. As to the second part centres are fixed at convenient places with reference to the number of candidates likely to appear at that centre and Government cannot undertake to hold the examination at a centre which does not fulfil this requirement.

REPRESENTATION OF NATIVES OF ASSAM IN THE SERVICES UNDER THE GOVERNMENT OF INDIA.

104. THE HONOURABLE RAI BAHADUR PROMODE CHANDRA DUTT :

1. Does the Government of India still adhere to the policy laid down in a Resolution passed by the Legislative Assembly in March, 1923, and accepted by it that in making new recruitment for the services under its control, the Central Government should take steps to secure that the services are not unduly over-weighted with representatives of any one community or province and that as far as possible the claims of all communities and provinces are considered ?

2. Has the Government of India taken any steps to give effect to that policy ? If so, what steps have been taken to secure adequate representation of the different provinces ?

3. How many posts are held by the natives of Assam ?

THE HONOURABLE MR. H. W. EMERSON : 1 and 2. As was explained by Sir Malcolm Hailey in the course of the debate on the Resolution referred to, and as has been stated on several occasions in this and the other House, the policy of Government is to prevent the undue preponderance of any one class or community in the services. For this purpose a proportion of vacancies is reserved for appointment by nomination in order to redress communal inequalities. Government do not consider it practicable to adopt the same principle in order to redress inequalities of provincial representation.

3. I regret I have not the information the Honourable Member wants.

INTRODUCTION OF REFORMS WITHIN THE EXISTING CONSTITUTION.

105. THE HONOURABLE RAI BAHADUR PROMODE CHANDRA DUTT :

(a) Has the Government of India taken any action on the Premier's declaration that pending the final decision as to the future constitutional changes, attempts should be made in the meantime to introduce such reforms into the existing constitution as may be found practicable ?

(b) Has the Government of India addressed the Provincial Governments on this subject ? If so, has it got their replies ?

(c) Will the Government of India be pleased to lay the replies of the Provincial Governments on the table of the House ?

(d) Does the Government of India propose to consult the Central Legislature before deciding on the changes it may propose to introduce and see fit to recommend to the Secretary of State ?

THE HONOURABLE SIR BROJENDRA MITTER : (a), (b), (c) and (d). I regret I am not in a position at the moment to make any statement in reply to the Honourable Member's question other than that the matter is under consideration.

MOTION FOR THE ELECTION OF A MEMBER TO THE GOVERNING BODY OF THE INDIAN RESEARCH FUND ASSOCIATION.

THE HONOURABLE SIR FRANK NOYCE (Education, Health and Lands Secretary) : Sir, I move :

"That this Council do proceed to elect, in such manner as the Honourable the President may direct, one Member to sit on the Governing Body of the Indian Research Fund Association."

The motion was adopted.

THE HONOURABLE THE PRESIDENT : I direct that nominations shall be received up to the 16th of March and the election, if necessary, will be held on the 18th of March.

MOTION FOR THE ELECTION OF THREE MEMBERS TO THE STANDING COMMITTEE FOR ROADS.

THE HONOURABLE SIR JOSEPH BHORE (Industries and Labour Member) : Sir, I move :

"That this Council do proceed to the election for the financial year 1931-32, in such method as may be approved by the Honourable the President, of three Members to serve on a Standing Committee for Roads which will be appointed by the Governor General in Council and the constitution and functions of which shall be as defined in the Resolution on Road Development as adopted by the Council of State on the 4th March, 1930."

The motion was adopted.

THE HONOURABLE THE PRESIDENT : In this case the nominations also will be receivable up to the 16th of March and the election will be held on the next official day which falls thereafter.

MOTION FOR THE ELECTION OF TWO NON-OFFICIAL MEMBERS TO THE STANDING COMMITTEE FOR THE DEPARTMENT OF COMMERCE.

THE HONOURABLE MR. J. A. WOODHEAD (Commerce Secretary) : Sir, I move :

"That this Council do proceed to elect, in such manner as the Honourable the President may direct, two non-official Members to serve on the Standing Committee to advise on subjects in the Department of Commerce."

I should explain, Sir, that previously the Members of this Committee were nominated from panels elected by the two Chambers of the Legislature. On several occasions, however, non-official Members have expressed the view that it would be better to proceed by way of direct election than by the panel system. The rules have now been revised in accordance with this generally expressed desire, and my motion is in accordance with the revised rules.

The motion was adopted.

THE HONOURABLE THE PRESIDENT : Nominations will be received up to the 16th of March and the election, if necessary, will take place on the next official day. In all these three cases, I should add that the hour up to which nominations will be received will be 11 o'clock in the morning.

INDIAN PORTS (AMENDMENT) BILL.

THE HONOURABLE MR. J. A. WOODHEAD (Commerce Secretary) : Sir, I move that the Bill further to amend the Indian Ports Act, 1908, for a certain purpose, as passed by the Legislative Assembly, be taken into consideration.

The Bill, Sir, is intended to clear up a small point of interpretation. Article 6 (c) of the Draft Convention adopted at the General Conference of the International Labour Organisation of the League of Nations held at Washington in 1919 prohibits the employment of children under 12 years of age in the handling of goods at docks, quays and wharves. The Convention was ratified on behalf of India and a new section 6 (1A) was added in 1922 to the Indian Ports Act of 1908 in order to implement this provision of the Convention. The difficulty which has led to this Bill was brought to notice at the time when the Royal Commission on Labour visited Karachi. It was then found that children were employed on the loading and unloading of coal not from the quay side but to and from lighters on the water side of the ship and the question arose whether section 6 (1A) of the Indian Ports Act empowered the Local Government to frame a rule prohibiting the employment of children in that particular way. The matter was referred to the Government of India by the Government of Bombay and the conclusion we arrived at was that, as far as we could see, the Local Governments were empowered to frame a rule prohibiting the employment of children under 12 years of age in loading and unloading not only from the quay side but also from the water side of a ship. We were, however, advised that the interpretation of the section was not entirely free from doubt and it is for this reason it is now proposed to make a small amendment in the law so that the matter may be placed beyond doubt in the future. As the section stands at present, the prohibition applies to the employment of children at piers, jetties, landing places, wharves, quays, docks, warehouses and sheds. What the Bill proposes to do is to substitute for these words, the words "in any port subject to this Act". The section as amended will clearly cover the doubtful case to which I have referred and will make the position clear for the future.

Sir, I move.

The motion was adopted.

Clause 2 was added to the Bill.

Clause 1 was added to the Bill.

The Title and Preamble were added to the Bill.

THE HONOURABLE MR. J. A. WOODHEAD : Sir, I move that the Bill, as passed by the Legislative Assembly, be passed.

The motion was adopted.

VIZAGAPATAM PORT BILL.

THE HONOURABLE MR. J. A. WOODHEAD (Commerce Secretary) : Sir, I move that the Bill to make special provision for the administration of the port of Vizagapatam, as passed by the Legislative Assembly, be taken into consideration.

Sir, this Bill is purely of a formal character. It proposes to transfer from the Local Government to the Government of India all the powers vested in the Local Government under the Indian Ports Act and the Madras Outports Landing and Shipping Fees Act in connection with the port of Vizagapatam with the exception of those powers which relate to port health administration. As Honourable Members are aware, the Government of India have undertaken the construction of a new harbour at Vizagapatam. Work on this new harbour commenced in 1925 and since then the position has been that, although the port is directly administered by the Government of India, the statutory authority under the two Acts I have mentioned vests in the Local Government of Madras. During the earlier stages of the construction the practical inconvenience arising out of the position as I have described it was not great. Construction, however, has now reached a more advanced stage, the new harbour was opened to lighter traffic in November last and is expected to be opened to ocean-going steamers towards the end of 1932. The revision of the schedules of shipping charges will have to be undertaken and revised rules for the port prepared, and it was thought not desirable that this should be done by the Local Government who merely act as the Agents of the Government of India. It is, I think, obviously desirable in the interests of administrative efficiency that the statutory authority for the sanction of these revised charges and rules should be vested in the Government of India which is directly responsible for the administration of the port. At the same time, it was decided not to interfere with the powers in regard to port health because the general question as to how port health administration should be conducted is still under the consideration of the Government of India. It is not likely that leaving these powers to the Local Government will cause any practical inconvenience. I think, Sir, this is all I have to say. The Bill, as I have explained, is purely of a formal character and all it proposes to do is to transfer the statutory authority as regards the port of Vizagapatam from the Local Government to the Government of India.

Sir, I move.

The motion was adopted.

Clause 2 was added to the Bill.

Clause 1 was added to the Bill.

The Schedule was added to the Bill.

The Title and Preamble were added to the Bill.

THE HONOURABLE MR. J. A. WOODHEAD : Sir, I move that the Bill, as passed by the Legislative Assembly, be passed.

The motion was adopted.

INDIAN MERCHANT SHIPPING (AMENDMENT) BILL.

THE HONOURABLE MR. J. A. WOODHEAD (Commerce Secretary) : Sir, I move that the Bill further to amend the Indian Merchant Shipping Act, 1923, for certain purposes, as passed by the Legislative Assembly, be taken into consideration.

Sir, the Bill seeks to give effect, so far as legislation is necessary, to the decisions which the Government of India have arrived at regarding a series of International Labour Conventions and Recommendations. Sir, the Statement of Objects and Reasons and the Notes on Clauses explain the proposals

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at length and I will try to be as short as possible in dealing with the several Conventions and Recommendations covered by the Bill.

The first of the Conventions to which I would refer is that [fixing the minimum age for the admission of children to employment at sea. The main feature of this Convention is that it prohibits the employment of children under 14 years of age. When this Convention was placed before the Legislature some years ago, it was recommended that the Convention should be ratified subject to two reservations. The first reservation was to the effect that the Convention should not apply to home-trade ships of a burden not exceeding 300 tons. Under the Indian Merchant Shipping Act, agreements with seamen are not obligatory on this class of ships and in the absence of an agreement it was thought that it would not be possible to enforce the Convention. The other reservation has reference to the present practice according to which serangs and sukanis are allowed to take their young sons and nephews with them on board ship. These boys serve on nominal wages and the service really amounts to a kind of apprenticeship. The practice is regarded by Indian seamen as a concession and a privilege and it was considered undesirable to interfere with it. As I have said, Sir, this Convention was placed before the Legislature some years ago. This was in the early days of the International Labour Organisation and before it was clearly understood in India that the Treaty of Versailles did not permit of ratification being subject to reservations. It has not been possible therefore to ratify the Convention on behalf of India, but it was thought desirable when a suitable opportunity occurred that the law in India should be brought into conformity with the provisions of the Convention subject to these two reservations. The Bill, Sir, seeks to give effect to this.

Of the next two draft Conventions, one deals with the fixing of the minimum age for the admission of young persons to employment as trimmers or stokers and the other with the compulsory medical examination of children and young persons employed at sea. These two Conventions have been ratified on behalf of India and up to the present have been enforced by executive instructions. It is now proposed to amend the law as regards these matters in order to regularise the position.

The next Convention to which I have to refer is that concerning Seamen's Articles of Agreement. This Convention was before the Legislature in 1927. The Convention is largely covered by the existing law and procedure in India and in certain respects in which it is not so covered at present, it will be covered by action under the existing law. Legislation is however necessary in order to give effect to Article 14. This particular Article requires that a seaman, on his discharge, shall have the right to receive a separate certificate of his conduct and character in addition to the certificate of discharge specifying the period of his service and the time and place of his discharge. Section 43 of the Indian Merchant Shipping Act provides for a certificate of discharge, but there is no provision in the Act relating to a certificate of conduct and character. Clause 5 of the Bill makes provision for this certificate of conduct and character. At present a seaman is provided with a "Continuous Discharge Certificate" on which is entered in addition to a continuous record of his services, remarks as to his conduct and character. If the Bill is passed into law, it will still be possible for the seaman, if he so desires, to have the remarks as regards his character and conduct entered on this continuous discharge certificate. If, on the other hand

he prefers it, he will be given a separate certificate as to his conduct and character.

The last draft Convention with which I have to deal is one concerning unemployment indemnity in case of the loss or foundering of the ship. This draft Convention was placed before the Legislature in 1921. It was recommended that it should not be ratified but that enquiries should be undertaken to ascertain whether the Indian Merchant Shipping Act should be amended so as to provide first that any Indian seaman whose service is terminated before the period contemplated in his agreement by reason of the wreck or loss of his ship, should be entitled to his wages until he is repatriated to the port of his departure from India, and secondly, that he should be paid compensation for the loss of his personal effects up to the limit of one month's wages. Enquiries have been made and Government are satisfied that this change in the law should be made. Clause 6 provides for this.

Finally, there is the Recommendation concerning the general principles for the inspection of the conditions of the work of seamen. The fundamental Article in this Recommendation is Article No. 3 which expresses the desirability that, as far as possible, all the authorities charged with the inspection of the work of seamen should be brought under a single control. This has been effected by the amendment of the Indian Merchant Shipping Act whereby the administration of the Indian Merchant Shipping law has been brought under the direct control of the Central Government. Honourable Members will doubtless remember that the Indian Merchant Shipping Act was amended for this purpose in 1928. Further examination has however shown that legislation is also necessary before we can fully comply with Articles 16 and 17. Clauses 7 and 8 of the Bill give effect to the requirements of these two Articles.

Sir, I move.

The motion was adopted.

Clauses 2, 3, 4 and 5 were added to the Bill.

Clauses 6, 7, 8 and 9 were added to the Bill.

Clause 1 was added to the Bill.

The Title and Preamble were added to the Bill.

THE HONOURABLE MR. J. A. WOODHEAD : Sir, I move that the Bill, as passed by the Legislative Assembly, be passed.

The motion was adopted.

RESOLUTION *RE* RECOMMENDATIONS OF THE ROUND TABLE CONFERENCE.

THE HONOURABLE SIR SANKARAN NAIR (Madras : Nominated Non-Official) : Sir, I rise to move this Resolution :

"That this Council recommends the Governor General in Council to lay on the table of this Council all papers connected with the recommendations of the Round Table Conference."

It is only a formal Resolution intended to enable the Members to state their views about the proceedings of the Round Table Conference. Sir, it would be impertinent on my part to say anything about the members of the

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British Delegation. They are men of world-wide reputation. Their speeches, whether they are Conservative, Liberal or Labour, are very practical. They show great sympathy with Indian aspirations and they show great insight into the Indian conditions. With these remarks, Sir, I pass on to the consideration of the main questions before us. It is not possible for me in the short time that is available to deal with the many questions dealt with by the Round Table Conference. I shall therefore confine myself to one or two of those which appear very important to me. I shall deal with the question of responsibility in the Central Government and in the Provinces, and I shall add a few words with reference to the Army. So far as the question of responsibility in the Central Government is concerned, that question was dealt with by a Committee especially appointed for that purpose, presided over by the Lord Chancellor. Those who want to refer to the Report itself will find it in paragraphs 8, 9 and 10 of the Report of that, the first Committee. They define the nature of the responsible government which they intend or which they hope to confer on India. That responsible government means that the Ministers to be appointed by the Viceroy or the Governor General must be Ministers who command "the confidence of the Legislature". That is a very important point. Next, they are to be appointed for that purpose in this way, in the manner in which they are appointed in England and in the Colonies, that is to say, one Minister is to be asked to form a government and that Minister is "to submit a list of his proposed colleagues" who will be appointed—mark that, it is a very important distinction. He has to submit the names and those men are to be appointed. He is not to submit the names for the approval of the Viceroy. On that depends the whole difference between a Government which is responsible and a Government which is not responsible. Having appointed a Ministry which is responsible, they go on to add that that Ministry shall remain in power "only so long as they retain that confidence". If they do not retain that confidence or if they lose that confidence, out they go; their responsibility is to be collective. All of them are to be dismissed together or all of them are to remain together. That is the definition. That is what is said to be responsible Government that is to be given to us. Now, having explained that, I cannot help reading to you the words of the Lord Chancellor with reference to these two paragraphs. Those words will be found on page 224 of the second part of the proceedings. The words are these :

"That, gentlemen, is the message that I would have you take back to India. It was worth your while to come here for it. . . . Do not trample on it. Give it a chance. Take it back to India and transplant it in the kindly Indian soil. Continue to watch it and to tend its development. At times it will want training, at times it will even want pruning, but as to its future I have no misgivings. India will see it grow into a great tree under whose spreading and protecting branches her sons and daughters will find that rest and that shelter which they so sorely need. It is this that will bring you peace at the last."

That is a noble message, a message from the Mother of Parliaments to the youngest of her daughters, and it is one which ought to be remembered by us for ever; it ought to be in fact written in letters of gold on the walls of this Chamber and of the Legislative Assembly for those who come after us to see and to remember for all time. Now, having read that message, the question at once arises whether those to whom it was addressed, that is the British Indian Delegation, have brought us that message or whether they have brought it to us mangled. It may be a bold statement to make, but I cannot help thinking that the message of the Lord Chancellor and the recommendations of his Committee have been practically whittled down by the

delegates we sent over there. That can be fully understood and realised only when you refer to the Reports of the other Committees, and especially to the Report of the Minorities or the third Committee, to which I now propose to refer. The question at once arises if that is so, if the Report of the Minorities Committee is so opposed to the Report of this first Committee, how was it that nobody there took any notice of it and why was it that no attention was drawn to it in the discussion? The reason is this. You will find that when the Report of the first Committee was discussed by the General Conference, these two sections were not discussed at all. You will find that in the Report, Volume II, page 256. They are passed over without any discussion, because it was discussed on the 15th. That was finished on that day. The Report of the Minorities Committee was taken up on the 16th and the Prime Minister says at page 20. when the Report was discussed, that they continued considering the Report of the Minorities Committee till 11 o'clock that morning, so that it was not printed and the Report of the Minorities Committee was not before the first Committee at all. That apparently accounts for it. The common members of the two Committees might have discussed it; there were three members of the two committees, Sir Muhammad Shafi, Sir Saiyed Sultan Ahmed and Mr. Ujjal Singh. You will find that the two Muhammadan delegates, Sir Muhammad Shafi and Mr. Jinnah, would not agree to frame any constitution or responsible government of the Lord Chancellor's Committee unless the Minorities Committee's Report was accepted. I draw your attention to that Report of the third Committee, which is printed at page 47. I will first draw attention to this; that the Prime Minister says at page 49:

"It was therefore plain, that, failing an agreement, separate electorates with all their drawbacks and difficulties, would have to be retained as the basis of the electoral arrangements under the new constitution"

I do not propose to argue any of those questions now; this is not the proper place to argue. I simply want to draw attention to that. Then the material part is this. In paragraph 12 you will find this:

"There was general agreement with the recommendation of Sub-Committee No. 1^A
 * * * Muhammadans should be represented on the Federal Executive * * *
 (Dr. Ambedkar and Sardar Ujjal Singh would add the words 'and other important minorities' after the word 'Muhammadans'.)"

That is in the Executive Council. Now, I submit that this is opposed to the recommendations of the first Committee in almost every particular. First, instead of the Chief Minister selecting his colleagues—I assume that the majority community is not the Muhammadan community and that the Chief Minister will belong to the majority community, that is to the non-Muhammadan community—the appointment of Muhammadan and other minority members is taken out of his hands, and they have to be appointed by the Viceroy. It contradicts the Lord Chancellor's Report in this, that the Chief Minister is to select the other Ministers. Then again it contradicts the recommendation in the first Report that the Ministers should enjoy the confidence of the Council, because obviously a representative of the minority community cannot enjoy the confidence of the majority of the Council. Here again, I do not argue the question whether it is right or wrong, because in the existing conditions of India it may be absolutely necessary, but I want to insist upon this that it is not responsible government as defined by the Lord Chancellor's Committee. Then, again, there cannot be collective responsibility which, as pointed out, is essential because the minority community member represents a certain section and the other represents the majority—a different section; collective responsibility then is out of the question.

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Therefore in every respect you depart from the recommendations of the first Committee. Then again, assuming for instance that all the Ministers agree to act together, that is to say, the representatives of the majority community and the representatives of the minority community agree together. The result of that would be both of them would be opposed to the majority of the Legislative Council. In that sense, therefore, they will not enjoy the confidence of the Council. Supposing they do not agree, then there will be permanent discord, in the Executive Council, as the Government of India have pointed out in connection with another matter. One can easily realise the consequence of that. There will be a weak Executive Council unfit to govern. Here again, I must warn you, I am not saying whether I support it or not ; I am only telling you the consequences of this. As the evidence showed that the Councils are and will be divided on communal lines, and both the Reports proceeded on that basis the Government may feel that they are bound to have communalism in the Executive Council, supported by separate electorates. But the result of that is that you cannot have responsible government. Either drop responsible government and have communalism in the Executive Council, if you think that is necessary, or drop communalism in the Executive Council and have responsible government. We, the Members of the Central Committee recognised it, and the majority of the Members of the Central Committee said : " We would have responsible government and we will drop communalism ; and therefore we say, have joint electorates and not communal electorates." That is the opinion of the majority. The minority, two Muhammadan members and Sir Arthur Froom, took the other view. Two Muhammadan members and the English member of the Central Committee said frankly and openly (you will find that in the report) : " We do not want responsibility in the Central Government. We would be quite satisfied to leave everything as it is and everything in the hands of the Viceroy if there is not to be communal representation." I want to draw the attention of the Council to the fact that you cannot have both. You must realise that, you must suffer the consequences of that. Either go on with communalism in the Executive Government and drop responsible government, or *vice versa*. Let us have a candid statement. Have no responsible government ; you drop it ; or, on the other hand, if you are going to have responsible government then be straightforward and say, " Well, we will not have communalism." But do not try to combine the two things which do not combine, and bring all this trouble afterwards. You have to remember this that the Prime Minister recognised this. He says on page 77 of this Report :

" We have this problem in front of us too ; in executives, in particular, there must be unified responsibility. I am not going to push that observation to any more pointed conclusion....."

Of course, seeing the position he occupies, he could not do more. He added :

" but the great task in forming an Executive is not so much to give it responsibility (which is the peculiar characteristic of Legislatures), but it is to secure for the Executive the confidence of the Legislature, together with its own united working in policy."

There can be no doubt about it that he wants a united Executive ; then alone he says there can be responsibility. I will have a few more observations to make which will be common to this and to Provincial Governments.

I now come to Provincial Governments. With regard to the recommendations made about the Provincial Governments we must reject them altogether ; we cannot accept them for a moment ; they are not worthy of

our acceptance. With regard to the appointment of Ministers this is what the Sub-Committee say in their Report, on page 41 :

“The Sub-Committee is of opinion that in the discharge of that function the Governor should ordinarily summon the member possessing the largest following in the Legislature, and invite him to select the Ministers and submit their names.”

Now, mark the words ; they are most important—“for approval”.

In the case of this Report, that is, the Provincial Constitution Report, the names are to be submitted to him for *approval*. Those alone are to be appointed whom the Governor wants to be appointed. If the Governor says so and so is not to be appointed, then he is not to be appointed. That is vital ; it is not a mere formal provision. Students of constitutional history know that the one important question which distinguishes a responsible government from any other government is this : the appointment of the Ministry is not to rest with the Crown. The man who enjoys the largest confidence of the Legislature is to be called on to form the Cabinet and he has to submit the other names for appointment. In this Report, we see that the names are to be submitted for *approval* of the Governor. That marks the difference between the Central Committee and the Simon Reports. The words used by the Lord Chancellor's Committee agree with those used by the Central Committee. We the Central Committee, said that, as in the case of Commonwealth and the Dominions, this should be the practice that should be adopted. The Simon Commission did not accept it ; the Government of India did not accept it. They said, for reasons which they explained in their report, that there can be nothing like a Chief Minister and the appointment should be in the hands of the Governor. But, as I said already, the Central Committee took the other view, and the Lord Chancellor's Committee—that is the first Committee—have taken the same view too. The Lord Chancellor in his report refers to the Canadian Acts, the African Acts, the Australian Acts, to show that that is the policy. The experience all the world over of representative constitutions is in that way, that unless that procedure is adopted, they will not work. It worked well in England and the Colonies. It did not work well in France and in Spain. The other practice was followed and it failed there. In India the experience is just the same. Lord Willingdon in Madras construed it as allowing him to follow the practice in England and in the Colonies ; that is to say, he called upon a man as Chief Minister and asked him to submit names and appointed them. The Governors in the other provinces did not do that, in particular in Bombay, and in Bengal too, I believe. The question came up for discussion before the Reforms Committee of 1924. What has been the result ? Madras is the province which has worked the Reforms better than all the other provinces in India, and I maintain that this is due to the fact that they followed the practice in England and the Colonies. With all that experience, the Madras Government in the latest report they have submitted on the Simon Commission's Report, have adhered to that view. They say that they want a Chief Minister and they want this practice to be followed. I submit, therefore, that unless you do that, you cannot have responsible Government.

Something worse than that follows on the next page. In paragraph (c) on page 42 of this Report it is said that the Governor is to make the appointments for the minority representation. I object to it for the same reasons for which I object to it in the Central Government. But there is one word that may get rid of a good deal of mischief. The word is “important”. “Important minority interests should be adequately recognised.” If that word means, as I understand it to mean, “important in the sense of the

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population" then I do not think there is much harm in it, because in this sense it means that in the North-West Frontier Province, and in Sind, where the Muhammadan majority is very great and the Hindu community is negligible in numbers, there need not be a Hindu in the Executive Council. Similarly, in Madras and in Bombay, where the Hindu majority is predominant and the Muhammadan community is negligible, a Muhammadan need not be appointed. In the Punjab and in Bengal, where the minority communities are important, the Governor should have the power of appointment. So construed I would not have great objection to it, because that may be necessary.

There is one other matter to which I wish to refer. The second Report gives power to the Governor for "the protection of the minorities and for the safeguarding of the safety and tranquillity of the province". Extraordinary powers are given. Now, if you construe minorities to include all the various castes in India, every one of them will be a minority, and the result will be that the Governor will be entitled to interfere with everything. Let us see the history of this matter. The Central Committee recommended that the Governor should have extraordinary powers for the safety and tranquillity of the province. The Simon Commission went a step further. They said that this power should be given not only for the safety and tranquillity of the province but also for the protection of minorities. Where they suffer on account of their position being prejudiced or their legal rights not being recognised, there could be no strong objection to this except on the ground that that would be interfering with responsible Government. But take the Report of this Committee. They say that the Governor shall have "suitable powers in regard to legislation and finance". The words are not limited, as we say, for equalising, for placing them on terms of equality. The words are "for legislation and finance". It practically means that under this Report they have no provincial autonomy in any kind of form. If there is one thing on which there is no difference of opinion amongst the people of this country—there might be differences as regards reforms in the Central Government—it is that, so far as the provinces are concerned, there ought to be absolute provincial autonomy. I say that so far as this Report is concerned, there is nothing like that contemplated.

I will now say a few words about the Army. So far as the Army is concerned, the recommendation is simple. It is on page 62. The recommendation is, "Have a Sandhurst College and Indianisation of the Army as early as you can." It is said: "All are agreed that the Army should be efficient and it should not suffer in efficiency at all." Now, what efficiency is was explained by His Excellency the Commander-in-Chief the other day in this Council. He said:

"I cannot impress upon you sufficiently the immense importance of this. If men who fight have not complete confidence in the men who lead them and in the men who are on each side of them, that delicate machine fails, and failure in war is very much more worse than failure in political or administrative matters."

He did not choose to explain—perhaps it was not politic for a man in his position to explain—what the implications of that statement are. Now, I have had the good fortune of having discussed this very question with two of his predecessors, Sir Beauchamp Duff and Sir Charles Munro when we had to write the Despatch of 1917 which led to the opening of Sandhurst to Indian cadets. May I tell you what they said then? In Indianising the Army, the Gurkhas, for instance, will not allow themselves to be commanded by any

other, if he is not an Englishman, than a Gurkha, so that if you go on nationalising the Gurkha army, the result will be that at the end of the time, when you have all the officers as Indians, you will have a mercenary army officered by mercenary officers. We find the same argument as regards the Sikhs. They say they should have Sikhs as officers. The same applies to the Punjab Moslems. It was voiced even a few days ago that the Punjabi Moslem army does not want to be officered by other than Panjabi Moslems. The same is the case with the depressed classes. It was at the time when we were discussing the question whether the depressed classes can be enrolled in the Army, that an unfortunate incident happened in the Punjab where a Dogra directed a man of superior caste, who was under him, to do some menial service and there was what was called a butchery there. That was the subject of questions in this House. You have got all these difficulties to face and in addition the Government of India have brought forward a new difficulty. You will find that on page 139 of the Government of India Report. They say there that when you Indianise the Army, you cannot neglect the people who have already been there in the Army, and who desire themselves or their sons to be appointed as officers. In addition to all this there is this one particular fact

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which cannot be got over. That fact is that the military men do not believe that you can form an Indian Army which can take up the functions which are now performed by the English Army, and certainly not with all these depressed classes who should be taken into the Army. We had it in evidence before the Central Committee and the Simon Commission—evidence which has not been printed—that you cannot form a national Army. And now we have that grave warning of His Excellency the Commander-in-Chief. His opinion was this :

“I cannot impress upon you sufficiently the immense importance of the deliberations of the Committee. It largely depends on the advice they give Government whether the new Indianised Army will be a success or not.”

Now, cannot you imagine what his own opinion is. You cannot expect a national Army, whatever you may say, in a reasonable time. So we are faced with this, Englishmen say that we cannot have a national Army to serve our purpose. We are as obstinate in our faith that we can have a national Army which will serve our purpose. Well, what is the plain inference, what is it that should be done ? Leave the present Imperial Army alone ; do not interfere with it in any form whatever ; leave it to the military men to Indianise it if they can, subject to the question of efficiency ; do not touch it ; but allow Indians to form their own Army ? If they cannot find the men to form an army, it is their business ; the Imperial Army will then continue to function. The Central Committee had evidence before them, and this Round Table Conference apparently had not, that certain provinces could raise their armies. The Government of India make a slight reference to this question in their Despatch. You will find it at page 145 of their Report. But they do not state correctly our own proposals. What they say is, “We will hand over a portion of the Army to the provinces to constitute their Army”. That is not our suggestion. Our suggestion was, leave it to them to raise their armies ; only provide opportunities for them to show what they are capable of. The Government of India brush it aside. They simply say it is subject to the same objections as are advanced as regards a Dominion Army. What those objections are I have not found out, and I must therefore leave it to you to find out those objections. I would ask the Council to consider whether it is worth while to trouble the Military Department or the Government of India about Indianising the Army to the extent that we

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want ; whether it would not be wiser on our part to leave the Imperial Army alone, but to allow us to form our Army ourselves. It is only Indian brains that can create an Indian Army. It will call forth Indian patriotism ; it will call forth Indian efforts and endeavours, and I feel confident, as I believe all Indians feel confident, that we can create an Army that can take the place of any other Army. The military men do not believe that, but we believe it ; and therefore leave us alone to work it out, and leave them to Indianise the Army in any way they can.

THE HONOURABLE SIR C. P. RAMASWAMI AYYAR (Madras : Non-Muhammadan) : Mr. President, I must say that the prevalent impression that I gained after hearing the speech delivered by my respected friend the Honourable Sir Sankaran Nair was one of unredeemed gloom. If I really believed that the efforts made at the Round Table Conference, which, according to my view are only the beginning of the work that is before this country—if I believed that those efforts led to nothing more than the impasse which has been pictured for us by Sir Sankaran Nair, I would say it is much better that the Conference were not held. I understand from an ejaculation made by my Honourable friend to my right that he is willing to accede to the proposition that the Conference need not have been held. If I stand up in my place to-day and wish to address you, Mr. President, for a few moments, it is because I hold exactly the contrary view. It is because I am sure that the Round Table Conference marks a new departure in the history of India and the history of the mutual relations between the two races, the British and the Indian, that I am here in my place to speak next after the Honourable Member and to endeavour to correct the impression sought to be created by him. Let me first bring to the notice of this House one or two basic facts. It cannot be alleged that Mahatma Gandhi and the Working Committee of the Congress are in love either with the Round Table Conference *per se* or with the political programmes of the men who composed the Round Table Conference, generally speaking. But if one inference, one legitimate inference, can be drawn from the happenings of the last few days, is it not this, namely, that the peace pact connotes that Mahatma Gandhi and his colleagues are convinced that something has been done which they can implement or supplement, but that something tangible has been effected ? Does not the peace which happily reigns to-day over the country mean that the men who were hungering for the realisation of certain ideals but were not finding those ideals coming near them realize that a step forward has been taken in London towards that realisation ? But I shall not deal with generalities. Let me now invite the attention of the House to a very notable speech delivered in the House of Commons by a great friend of India, Mr. Isaac Foot, a member of the Liberal Delegation to the Round Table Conference. He invited every one “ not to measure the work until the day is out and the labour done ; then, bring your gauges ”. My first exhortation to my countrymen would be to judge of the work of the Round Table Conference as no watertight affair, no final scheme already brought into existence, but as the precursor or beginning of self-government. The question is, is the reform proceeding on the right lines and in the right direction ? The task that has to be done in this country and in England will be to take that work further, to supplement it and to make a composite whole. But to judge of the whole scheme by isolated sentences in the Report of the Round Table Conference or in the statements of various delegates in the House of Commons or in the Conference itself or to treat specific recommendations as if they were a complete picture will not be the

right procedure. Let me invite your attention, Mr. President, to the numerous passages in which Mr. Ramsay Macdonald, Lord Sankey, Mr. Benn and Mr. Henderson have said that what has been started in London is only the beginning of the work of federation and until the complete picture is drawn you cannot criticise the details.

Now, this having been said, let me indicate exactly what was sought to be done in the various Committees of the Conference. My friend was inclined to quarrel with what he deemed to be the inconsistency between the Report of the Minorities Committee and the Report of the Federal Structure Committee. Let this underlying circumstance be remembered in these criticisms, namely, that unless and until a satisfactory and adequate solution of the minorities problem is achieved in India by the common efforts of every patriotic citizen, we are not going to proceed a step further with reference either to Federal structure or anything else. No scheme of Dominion Government is possible until the minorities are satisfied with the scheme evolved finally. (Hear, hear.) That is clear. And in speaking of these minorities, I am not referring only to the two great communities which are usually styled the majority and the minority communities. I refer not only to the Hindu community and to the Mussalman community, but to the great group of the depressed classes, and to the various other communities, the Sikhs, Christians, Europeans, Anglo-Indians and the others who have put forward their claims and insisted upon a recognition of their due place in the Indian polity. Unless all these minorities joyfully and willingly shoulder the burden of a common responsibility and agree to a fully responsible executive subject to the will of a sovereign and representative Legislature, this problem of Dominion Status or responsible government is not going to be solved. The inconsistency such as it was, between the Reports of the first Committee and the minorities Committee arose because notwithstanding the efforts of all of us there that problem of minorities was not solved in London. There is no gainsaying that; the minorities problem still remains to be solved, and until it is solved, each minority would be putting forward all their claims and advocating the individual and specific ideals of the various communities; unless those ideals are transmuted and integrated into a common ideal, you cannot have a common executive and a really one-pointed Legislature. That is clear. It was because in London the Minorities Committee had not come to a definite decision that the Minorities Committee had to speak in two voices, had to speak with some inconsistency. In one breath all the members claimed self-government but the communal claim was emphasised as the condition precedent. It is no secret when I say that the Minorities Committee and the Conference itself came very near agreement on the Hindu-Muslim question. We came very near agreement in Chequers and Downing Street, but something or other happened, something was wanting and the agreement was not completed, and implemented; and it is for that reason, Mr. President, that I am one of those who welcome the participation in the coming deliberations of the Conference of the most numerous and the best organised political party in this country, which is composed both of Hindûs and Muhammadans and other communities, namely, the National Congress to which I do not now belong, but whose importance, organisation, enthusiasm and patriotism I am the first to admit. I lay special emphasis on this aspect of the question for this reason, that the problem of the minorities and the solution of the minorities question are to my mind a matter which can be dealt with not so much by the elderly and the middle-aged, but by the young, the inheritors of the future, the idealists who are impatient of small calculations of gain and loss here or there and it is that political party and those groups who have the enthusiasm and

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the idealism of the young harnessed to their programme, it is they who will help most satisfactorily and adequately in solving this communal problem. It is because I believe in the Hindu young men, the Mussalman young men, the Sikh young men, and the young men of the depressed classes coming together and their realising that in these divisions there is danger, that in unity there is safety and glory, that I confidently expect this problem to be solved and it is therefore I ask friends who are apt to be too impatient of the inconclusive deliberations or conclusions of the Minorities Committee to hold their hand for a while, to keep in suspense their judgment, until a last and mighty effort is made to solve this problem. After all, Mr. President, what happened in London? It is again an open secret that a dispute about two seats here, or one seat there, stopped the further progress of the negotiations. Is it too much to ask that all these differences will be composed and that the minorities problem will be satisfactorily solved with the help not only of the Congress and the Muslim organisations but of all well-wishers of the country? One of the most useful results of the London Conference was the realisation of the actual difficulties. This is the first step to surmount them.

Let me now go over the points made by my friend. He referred to the Federal Structure Committee and stated that it started with three propositions about responsible government which have been really whittled down by the other Committees and therefore its work was fragmentary. Now, let this be remembered. Before we went into the Round Table Conference, difficulties were postulated as obstacles more or less permanent in their character. What were those difficulties? It was stated that Dominion Status for India was irretrievably, inextricably, hopelessly, bound up with the problem of the Princes. It was said that, so long as we have a large portion of India governed on undemocratic principles by persons who are more or less autocratic, we cannot have any real responsibility or any common system of government, with regard to British India and the Indian States. We found very early that the Princes were willing to come into federation and their contribution to the success of the Conference was striking. That is one contribution which was made by Lord Sankey's Committee to the problem of India's future. It is noteworthy, Mr. President, that the Princes definitely said that they were willing to federate with a self-governing British India. That means that notwithstanding their jealousy guarding their own ancient prerogatives and rights, not only were they willing to come into a common system of government, but they were willing to federate with a democratic and self-governing British India. I go further. They also said this, that if their own representatives were in the Central Cabinet and the Executive was thrown out on a vote of no confidence, their representative would also resign along with the representatives of British India. That community of ideal and outlook brought self-government very near to us. Next it used to be stated that the depressed classes would never conceive of the possibility of a Government which would really be in the long run the Government of the haves over the have-nots, the rule of the privileged classes over the down-trodden. The representative of the depressed classes said that their difficulties and dangers were theirs and those of the higher classes to settle *inter se*, but they were perfectly willing to consent to a common system of self-government as they stood to gain and not lose by a change from the present system. So another difficulty vanished. We thus found that step by step the objections as to the Princes vanished; the objection as to the depressed classes vanished, the Muslims were also with us on the main topic, and we found a unity of demand with regard to what is called self-government. And what was that demand? That

demand was responsibility of the common Central Executive to a representative Legislature. With regard to that, certain observations fell from my Honourable friend with which I shall immediately deal. He said that so long as we are going to have a communal Executive, there would be no unity. Now, let us proceed about the consideration of the problem in this manner. A person who leads the majority party in the Legislature is not necessarily the person who leads a Hindu party in the Legislature. Once you grant that in the Legislature of the immediate future under all circumstances and inevitably the majority party is going to be the Hindu party, the next biggest party is going to be the Mussalman party, the third biggest party is going to be the Sikh party, and so on, and that therefore according to the imagined scheme there will have to be necessarily a coalition between a Hindu Minister drawn from one party and a Muhammadan Minister drawn from another party and a Sikh Minister from a third party, you absolutely negative the whole theory of responsible government. It is in the hope, in the fervent hope and expectation, that the parties of the future will not be composed purely of members of particular communities, but that these party divisions will cut straight across communal divisions, that party A will be composed of Hindus, Muhammadans, Depressed Classes, etc., party B will be similarly composed of Hindus, Muhammadans, Sikhs, Depressed Classes, Europeans and Anglo-Indians, that these party divisions will arise on political issues and not purely on a communal footing that the whole of the scheme is framed. Indeed in the actual working of the Legislature this is our actual experience. And, indeed, turning to the Chamber where there are organised parties, that is, in the Legislative Assembly to-day, do we not find that even under the present imperfect system we are evolving parties which are not purely communal in character? Is it not a fact that during all these years the Legislative Assembly parties have not been communal parties but parties composed of members of more than one community? And it seems to me that once you concede that or contemplate this state of things you come to the next step. A man who represents or leads the largest party in the House will no doubt form his Ministry from amongst the members of his party. He will necessarily—and that is the only meaning of the sentence in the Report and nothing more—he will necessarily, in view of the circumstance that important communities have got their own interests and their own ideals and in order to secure the safety and stability of his Ministry, see to it that all important and numerous large separate interests are represented in the Cabinet. That is done in every self-governing country in the world where there may be no Hindu-Muslim dispute. Representatives of important interests get a place in the Cabinet of every self-governing country in the world, on a different basis no doubt, and not on a communal basis, and he would be a very foolish head of a Cabinet who would not summon to his aid a Muhammadan or a Sikh—who had a large following and whose adhesion would strengthen his own party and his own position in the House. It is therefore not a just or legitimate criticism, I submit, to say of the Sankey Report or of the Minority Report and the Sankey Report taken together, that it departs from the principle of democracy. Let me refer to another criticism. My friend referred to page 16 of the Report of the Sankey Committee wherein it is stated that the Ministers will be appointed by the Governor General and

“The Governor General’s Instrument of Instructions will then direct him to appoint as his Ministers those persons who command the confidence of the Legislature, and the Governor General, in complying with this direction will, of course, follow the convention firmly established in constitutional practice throughout the British Commonwealth of inviting one Minister to form a Government and requesting him to submit a list of his proposed colleagues.”

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Now, when the Sankey Committee Report says this and when the Minorities Committee Report says that in the Instrument of Instructions care must be taken to see that minority communities should be represented in the Cabinet, I submit there is no real fundamental divergence of ideas. The Minorities Committee naturally was anxious to put forward its own point of view at the stage when it formulated its position which was not inconsistent with responsible government, until a communal settlement takes place this is bound to happen. But it must not be forgotten in the whole of this discussion that it was His Highness the Aga Khan who from his place in the Round Table Conference said :

" We shall adjust these matters ourselves with regard to the Communal adjustments and formation of ministries and other things and that all of us are willing and anxious to get responsibility at the centre ;"

and responsibility at the centre, according to him, undoubtedly meant responsibility of the Legislature to the Executive. Sir Muhammad Shafi, a very distinguished representative of the minority community, made it perfectly clear at the same time in the Round Table Conference that he was also a great adherent of the principle of responsibility of the Executive chosen on the same principles as all Cabinets in self-governing countries. Now, the only way of reconciling these sentiments with the sentiment expressed by the Minorities Committee is to realise that at the time of the formulation of the Minorities Committee Report the minority problem had not been settled. The Minorities Committee therefore was anxious to put forward its particular claims and was anxious that that point of view should not be obscured or lost sight of. But at the same time it must not be forgotten that the members of the Minorities Committee and the Members of the Sankey Committee met together at the Plenary Session, and it was in that Plenary Session that those sentiments were expressed which are consistent only with a unitary Executive responsible to a sovereign Legislature.

Now, therefore, my submission to you, Mr. President, is that when the Sankey Committee Report speaks of a Cabinet it speaks of a Cabinet as ordinarily understood in self-governing countries, namely, a Minister who has as his colleagues men in whom he has confidence but whom he chooses on the principle dictated by party interests, on the principle that he has with him people of influence and of status who will bring strength and not weakness to his Government. He, therefore, in order to select his colleagues, will see that justice is done to all the communities. And thus there is no question of getting away from the principle of collective responsibility. Once you bring these people together on the choice of the head of the Cabinet, once it is summoned together, the Cabinet stands or falls according as the policy of the Cabinet is approved of or disapproved of by the House. So you have the principle of collective responsibility established, and it is a great thing indeed that to that principle of collective responsibility it is not only British India that has adhered but the Princes as well.

Then my friend asked why nobody took notice of the difference between the Minorities Committee's outlook or point of view and the Sankey Committee's point of view as to the formation of the Ministry. The reason is simple. It was that at the time when the Minorities Committee's Report came up before the Plenary Session the minority question had not been settled and there was no point in accentuating divergence which time and negotiation may eliminate.

My learned friend also referred to separate electorates. I do not wish to pursue that subject. But it is perfectly true that one group took up the idea of separate electorates, namely, the group of Muhammadans represented at the Round Table Conference. That question will have to be decided after very much more careful deliberations in this country, and in the decision of that question it must be remembered that the Depressed Classes also took up a perfectly understandable position which was shared by the Sikhs. They said, "If the Muhammadans want separate electorates we also want them because we are as much in a separate category". That question may have to be considered most carefully. No doubt it has been urged that if we ask for so many separate electorates we shall get further and further away from the pure and simple democratic idea which involves a national register and a national polling. Undoubtedly it is one of those difficulties which will have to be faced in this country and in England and on its solution a great deal depends. But I for one am not deterred from an agreed solution by the mere circumstance of theoretical anomalies. If the Communities come together determined to have a responsible government, which can only mean a joint Cabinet responsible to the Legislature as a whole, and if they think that they can devise it on the basis of one system or another, it is for them to do so. Speaking for myself, I do not see how this problem can be solved without joint electorates. That is my own personal view. I hold that any sacrifice, any concession, can be made to the minority communities so as to make their position clear by way of reservation of seats and every other reasonable guarantee so as to keep their fears and apprehensions from troubling them, and any concession that is made is worth making even if that means the minimising of the political power of the majority community provided a national register and national polling take place and compartmental political education and action are avoided. That is my view, but all views put forward by protagonists who hold different opinions must be harmonised and a compromise arrived at. Even though the position is still uncertain, I shall not despair of my country or the possibility of democracy in the country merely because of the existence of the dispute, for I hold that that dispute is bound to solve itself when people face the problem fairly and squarely and get rid of temporary suspicions.

My Honourable friend also drew pointed attention to the difference between the Cabinet as constituted in the Provincial Government and the Central Cabinet. I think the difference of language used by the two respective Committees—I am speaking with all respect—is merely due to the fact that the men who drafted the two reports are different. The "approval" of the Governor where the head of a Cabinet suggests the names of the Ministers must necessarily be formal, because if the Governor insists upon A or B or C being appointed against the Prime Minister's will as the colleague of the head of the Cabinet, then the obvious course for the head of the Cabinet is to say that he could not work with people in whom he had no confidence, and on the Governor would then be thrown the responsibility of forming another Cabinet, and any Governor would shrink from taking that responsibility upon himself and facing an infuriated Legislature and electorate. Moreover, with regard to the powers of the Governor, my Honourable friend was, I am afraid, a little too apprehensive, because it has all along been distinctly understood, and I for one would be the foremost to insist on the condition that according to the scheme propounded at the Round Table Conference, neither His Excellency the Governor General nor His Excellency the Governor are intended to get any residuary or extraordinary powers save those necessary to prevent a breakdown of the administration or an abuse of or fraud on the exercise of the powers conferred on the Legislatures and Cabinets. These extraordinary powers are

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not supposed to be the normal processes of government but powers to guard against abnormalities and extraordinary situations. It is in that spirit that the Round Table Conference worked, and if anything is to be made clear in order to make that abundantly manifest, I take it that in the subsequent stages of the labours of the Round Table Conference that will be done.

Then my Honourable friend spoke of the Army. With regard to this I may say that with very much of what he said I am in total agreement, namely, that there is no use of a system of reform which does not take resolutely and strenuously on hand the Indianization of the Army. The nationalisation of the Army and of Defence in general cannot take place without a very definite programme of Indianisation to be set on foot immediately. That point of view was not ignored by the Committee as will be clear from page 62, indicating Mr. Jinnah's dissent and his desire to have a clear indication of the pace of Indianisation. This desire is shared by an overwhelmingly large proportion of Indians. It is a question which will have to be discussed thoroughly. Undoubtedly one realises the responsibility of India for what you may call Empire defence. One realises the rights, powers, prerogatives and jurisdiction of the Committee on Imperial Defence. But it would be a *non possumus* attitude to say that we cannot think of Indianisation immediately because of prejudice against Indian officers on the part of those serving or likely to serve under them. If, as a matter of fact, all the arguments of the various nationals indicated by my Honourable friend were correct, if the Gurkhas and the Sikhs and the Punjabi Muhammadans and everybody else said that they should be only under their own officers or under English officers, then there is no meaning in the demand for self-government. I do not think that that is a true analysis of the position. I still believe that men belonging to the martial classes, when confronted with the live problem of an Indian Government run by Indians, will be able to perceive, and perceive very quickly indeed, that unless advance is made in the matter of Defence we shall not have a real form of self-rule. I make bold to say that once certain preconceived notions are jettisoned, once people make up their minds to found an Indian Army, that Indian Army will be founded, as national armies have been organised elsewhere in the countries which have made great strides during the last few years.

I have already taken more time than I had intended to, and I shall conclude by saying this. The contribution of the Round Table Conference to the Indian problem is not the contribution of cut and dried formulæ. It is the contribution of a unity of outlook and of ideals; it is the contribution of a Pisgah sight of a Commonwealth designed towards common ends. Its privilege was to transcend all previous reports and despatches and to build up complete provincial autonomy as the pedestal on which should stand a federal system uniting the two Indias together and preserving unity and legislation and administration in British India where requisite and unity of work in a federal matter with the States with a Supreme Court as a necessary adjunct. Its work will have to be judged generally by this test, namely, Has it taken us nearer to unity? Has it brought the Princes nearer to the British Indians? Has it brought the Hindus and Muhammadans, disagreeing to-day no doubt on many points, nearer to agreement in the immediate future on the broad questions of responsibility at the centre and in the provinces?

THE HONOURABLE MR. A. HAMID : A thousand times "No".

SOME HONOURABLE MEMBERS : Yes.

THE HONOURABLE SIR C. P. RAMASWAMI AYYAR : If I believe the truth of the interjection I would not be speaking here. It is because I fervently believe that that "No" is the result of a transitory mood in my Honourable friend that I am speaking to-day. I do believe notwithstanding sporadic incidents the Hindus and Muhammadans are realising and will realise that they and the other Indians should rule in union over this country in preference to a bureaucracy however efficient from outside. I believe they think so, and it is because I am firm in that belief that I went to the Round Table Conference and I am speaking here to-day. It is a matter for rejoicing that non-official Europeans and representatives of Commerce are not antagonistic to our claims though they are naturally anxious to secure legitimate protection consistent with the paramount interests of the country as a whole. I shall conclude. I believe that the Round Table Conference has led to unity and I do not join with those who think that the Round Table Conference is a mirage and a sham. I hold that although complete unity has not yet been achieved, it has taken great strides towards the realisation of that unity. But the labours of that Conference are only a first step. The path is long and wearisome, but must be trodden and our pace must be quick and our labours strenuous. We have to climb many hills and a range of lofty mountains before we can reach the citadel at the top of the last peak. The united efforts of everybody, including those who here interject "No" is necessary.

THE HONOURABLE MR. A. HAMID : I wish it were possible.

THE HONOURABLE SIR C. P. RAMASWAMI AYYAR : Let them all come forward. Let us make a great common endeavour. If we fail, even then let it be said at least that we neither faltered nor lost heart.

THE HONOURABLE MR. SYED ABDUL HAFEEZ (East Bengal : Muhammadan) : Sir, in rising to take part in the discussion of the Round Table Conference papers first of all I cannot but refer to the unique event which Delhi witnessed the other day. I mean the peace settlement arrived at between the Government and the Congress. Most heartily do I congratulate His Excellency the Viceroy and Mr. Gandhi on their phenomenal success in negotiating the peace between the rulers and the ruled. It was a very good move on the part of both the Home Government and the Government of India to keep the doors of the Round Table Conference open to the Congress and to hold a session here in India. It is really wonderful how in so short a time Lord Irwin could convert Mr. Gandhi to his views to make peace. What great services these two personages have rendered to the people of India, nay, to the world at large, cannot be adequately expressed in words.

Without minimising the importance of this achievement I cannot at the same time forget to mention another obstacle standing in the way of the advancement of India. It is the question of Hindu-Muslim settlement. This question is, if not greater, at least, of equal importance. What a glorious day will it be for India when this question is finally settled and Hindus and Muslims march hand in hand for the common cause of the freedom of India. I am an optimist. If we are determined to make up our differences nothing can stand in our way of making a satisfactory settlement. Only a decade ago, in the days of the first non-co-operation movement, how these two communities sank all their differences and worked like two brothers. I wish those happy days will be brought back again.

Some say the Muslim delegates have totally failed in their mission to the Round Table Conference ; others say they have succeeded very well. Whether

[Mr. Syed Abdul Hafeez.]

they succeeded or failed will be evident from the quotation which I am going to make. This quotation is a statement which was authorised by the Muslim delegates to be made by His Highness the Agha Khan on his behalf and on behalf of the Muslim delegates. It was read by M. Fazlul Haq before the Committee of the whole Conference on the 15th of January, just four days before the Conference was closed. (See page 233, Indian Round Table Conference proceedings.)

"Mr. Prime Minister, we should like to place on record the policy of the Muslim Delegation to the Round Table Conference regarding the Reports of the Provincial Constitution Sub-Committee and the Federal Structure Sub-Committee. The Muslim members of these Committees have taken part in and given their assent to some of the recommendations of these Sub-Committees on the distinct and clear understanding that the position of the Muslim community will be effectively safeguarded in the future constitution of India. We have throughout acted in a spirit of compromise, and have spared no efforts to bring about the desired results. As you are aware, Sir, we have unfortunately failed to accomplish this object, and no settlement of the outstanding Hindu-Muslim problem has been effected. In these circumstances we feel that the only course that is consistent alike with the position of our community and its peculiar needs and the smooth working of the new constitution which we have been seeking to evolve during the last nine weeks, is to reiterate our claim that no advance is possible or practicable, whether in the provinces or in the Central Government, without adequate safeguards for the Muslims of India, and that no constitution will be acceptable to the Muslims of India without such safeguards."

Sir, Moslem India will see how their delegates did their duty. They put the cart before the horse. They were given definite mandates in the form of the resolutions passed under the Presidentship of His Highness the Agha Khan at the All-India Muslims Conference at Delhi. With due deference to the high position of the delegates I must say that they committed serious blunders in joining the majority community in their demand of federation and responsible Government without first settling the Hindu-Muslim question.

I have stressed the solution of the Hindu-Muslim question as in my opinion any detailed discussion about the plan of federation; responsibility in the Central Government with safeguards, provincial autonomy and other matters is premature. This vital question must be settled first.

THE HONOURABLE SIR PHIROZE SETHNA (Bombay : Non-Muhammadan) : Mr. President, I must confess that I was both sorry and disappointed to hear the criticisms of my esteemed friend the Honourable Mover of this Resolution. I should have thought that he would have told the House what he thought of the work of the Round Table Conference as a whole, instead of which he has tried to pick holes here and there in some of the Reports of the different Committees. My Honourable friend Sir C. P. Ramaswami Ayyar has so fully and effectively answered the criticisms made by the Honourable Sir Sankaran Nair that I do not propose to take up the time of the House with answering those criticisms, which if I did it would be in the same strain as that of the Honourable Sir C. P. Ramaswami Ayyar. I may be permitted to say a few words, as I think I am permitted to do by the manner in which this Resolution is worded, on the work done by the Round Table Conference. Mr. President, Sir John Simon is credited with the idea of this Round Table Conference. It must not be forgotten that both in the Assembly and in this House Resolutions were moved some years ago suggesting such a Round Table Conference. It was not held then, but the Round Table Conference which was held a few weeks ago was not a day too late. In regard to the good work done by it I will only say that what was considered impossible or unthinkable only a few months back is now regarded as being within the region of practical politics. As to the value of Conferences of this nature, let me quote the opinion of the Prime

Minister himself. He said on the last day of the Conference, the 19th of January :

"I have had a good deal of experience of these Conferences. One week of a Conference produces more good than six months of diplomatic correspondence."

I will certainly say that has been the case in regard to the nine weeks' work of the Indian Round Table Conference. In these nine weeks we have been able to cover the ground which has been the subject of agitation in this country not for 9 months or 9 years or even 19 years, but much longer ; and it looks as if we are now going to arrive at a solution of all our difficulties. Mr. President, in regard to this I am again tempted to quote from the speech of the Honourable the Prime Minister when bidding us good-bye. In that speech he made the following observations :

"I think you will go back to India whether you are disappointed as to the work or not and say 'We were met by our British colleagues on terms of hospitable equality. We have put our case before them and they have listened with a desire to accommodate us ; and they have put their case before us and we assure you that there is so much in their case, so much experience in the working of constitutions, so much in relation to the peculiar conditions of India, that they and we must come to an agreement upon it'."

That, Sir, is the basis on which our work was done.

Before we went to the Round Table Conference we certainly thought it would be very right and proper that we should settle our communal differences in India. Unfortunately that was not done and the matter was postponed till we arrived in London. As the House is aware, the Conference was opened on the 12th of November by His Majesty the King Emperor. Days before then we met day after day for the purpose of bringing about a solution of the communal difficulties, but unfortunately we failed. The non-Muslim group had a few representatives to meet a few representatives of the Muslim community, mainly for the purpose of trying to get them to agree to joint electorates instead of separate electorates, for we were firmly of opinion that common electorates would be to the great advantage of the country rather than communal electorates. We might have succeeded, but unfortunately—and I cannot help observing it—there were some differences amongst ourselves as well, I mean amongst the non-Muslim group, and the House knows that the non-Muslim group consisted of not only Hindus but of Mahasabhaites, Depressed Classes, Sikhs, Indian Christians and others. No one was more eager that the communal differences should be settled before the Conference began than the Prime Minister himself. He lent his helping hand. He had the representatives of the different communities at Chequers and spent hours with them ; but unfortunately to no avail. Yet he was determined to make the Conference a success, and we accomplished what we have done and hope that now we are back in India the Communal question will be settled and settled satisfactorily to all.

The Conference was not all plain sailing. We had many ups and downs. In addition to what I have said about communal differences, there were some amongst us who observed, and observed frequently, that it was no use going on with the Conference unless the Prime Minister declared that Government were willing to give what we all asked for, namely, Dominion Status with safeguards. The Prime Minister could not do so at first. We now understand why he delayed so. The Prime Minister was in this country more than 20 years ago, and after his visit he wrote a book called "The Awakening of India". It is surprising it has been proscribed in this country. But whilst there is a ban here against it, one could read the book if he wanted to in England, which some of us did. Reading the sentiments expressed therein

[Sir Phiroze Sethna.]

we could not possibly believe that its author, Mr. Ramsay MacDonald, would not help us in getting Dominion Status with safeguards during the transition period, which was our demand. Mr. President, the reason why he delayed making a declaration was that he was feeling his ground. He was most anxious to know what was the view that would be taken by the British delegates of the two other leading Parties, namely, the Conservatives and the Liberals. The House will remember that before we went to London speeches were made by responsible members of either Party which we did not regard as helpful and which made us feel that perhaps we would not get encouragement enough from them. But the turning point came when our former Viceroy, the Marquis of Reading, made his memorable speech at the Conference. Even the Marquis of Reading changed his views which he held only a few weeks previous. And why? For two very good reasons. He saw that the demand for Dominion Status was not made by the Hindus alone, or by the Muhammadans alone, but by the representatives of every single community who were present at the Round Table Conference. If we were unanimous about one thing we were with regard to that demand. The second point, and that was perhaps of greater importance, was the coming in of the Princes in the proposed Federation. The Simon Commission Report is only a few months old. In that the hope was expressed that the federation of all India might be accomplished some day. The Government of India Despatch was placed in our hands after the work of the Conference began, so that it was very recent. Even in that Report they had no hopes in regard to the federation of all India being an accomplished fact within the next few years. To the great surprise, however, of everybody, the Princes came in; and when I say the Princes came in, I may remind the House that the idea of Federation came first, as far back as 25 years ago, from His Highness the Maharaja Gackwar of Baroda; but during the present Conference it was, I have no hesitation in saying, primarily the work of one Maharaja, namely, the Maharaja of Bikaner, who has played a very important part in the work of the Round Table Conference and even before, and it is only when the inner history of all that has happened within the last twelve months is published will due credit be given to him which he deserves in the very fullest measure. To the Indian Princes therefore we feel greatly indebted.

I say Lord Reading's speech was a memorable one; Lord Reading's colleagues were equally sympathetic—the Marquis of Lothian, Mr. Isaac Foot, to whom reference has been made more than once by my friend Sir C. P. Ramaswami Ayyar, and also Sir Robert Hamilton. Mr. President, it is perfectly true that you can accomplish as good work at the sittings of the Conference as you can outside; and outside the Conference, during the many discussions we had with these gentlemen and also with the delegates of the Conservative Party, we found that we were able to bring them round to our view of thinking by degrees. I may be allowed to refer here in particular to the speech of Mr. Isaac Foot during the debate on January 26th on the Indian question in the House of Commons. That speech will go down in history as one made by a very liberal minded Englishman—a true friend of India. While the Liberals came so readily to our help, the Conservatives also have done so. If they did not to the same extent, I am sure they will as time goes on because we have great reliance in their present leader, and let us hope that Mr. Baldwin will continue to lead the destinies of the Conservative Party for years to come. His influence is great with them and he has the highest opinion and attaches the greatest weight to all that is being done by his friend and a member of his Party, Lord Irwin, as Viceroy of India. The Marquess of Jetland and Sir

Samuel Hoare and the Honourable Oliver Stanley have also rendered help, but the greatest assistance, as was expected, came from those who represented the Labour Party. Enough has been said here and elsewhere in regard to the Prime Minister. Lord Sankey was one of the very best and so were Mr. Henderson, Mr. Thomas and Sir William Jowitt, and last but not least Mr. Wedgwood Benn. I think the Prime Minister is most fortunate—and we are most fortunate—in having as the Secretary of State for India at the present moment one who has already done much and who means to do yet more for the advancement of India, namely, Mr. Wedgwood Benn.

Whilst we acknowledge our thanks to the delegates of the three great parties in England, I must not forget the Press. There is certainly a section of the Press which in season and out of season sees nothing good in India or in Indians. But there are papers like the *Times*, the *Manchester Guardian*, the *News Chronicle* and the *Daily Herald* which rendered yeoman service and more than all there is the weekly *The Spectator*. Its editor Mr. Evelyn Wrench and his cousin Major Yeats-Brown, the famous author of that book which is regarded as the book of the year 1930, "The Bengal Lancer", who is now a joint editor, between them week after week helped the Indian cause in a manner that perhaps very few others could have done. To them all India has reason to be very grateful indeed.

My Honourable friend has, I said, picked holes here and there in some of the Committee Reports. The main point of difference which exists in the country to-day in regard to the work of the Round Table Conference is on the question of safeguards. I am sorry he has not referred to them. I do think that safeguards are certainly necessary. Now, Sir, "safeguard" is a word which stinks in the nostrils of many to-day in this country, but they all seem to forget that when we asked for Dominion Status, even the Congress did so until two years ago, we all asked for Dominion Status with safeguards in the transitional period. If, therefore, we have agreed to what we consider to be reasonable safeguards, where is the wrong? And again, whatever we have agreed to is certainly not the last word. They will be discussed at the proper time once more and if people here think that we have erred, it is perfectly open to them when the expert committees are appointed to satisfy such committees to get these safeguards removed, or if not removed, considerably modified. Now, in regard to safeguards, it was first said that 80 per cent. of the revenues will not be under the control of the Legislative. Those who claim to speak with authority on the subject have now brought down the figure from 80 to 54 per cent. But whether it is 54 per cent. or any other figure, these safeguards are necessary at first and such safeguards exist everywhere, even in England. Let me read to you what the Prime Minister has said in regard to them. He says :

"Safeguarding—I do not like the word. To you especially, it is an ugly word : it is a word which quite naturally rouses great suspicions in your hearts. It is a word the aspects and the meaning and the connotation and the associations of which are rather forbidding. Let us apply common sense to it."

That is what I ask our Indian critics to do—apply common sense to it. Is there any country in the world where there are no safeguards, something in the manner of what are proposed in the debates at the Round Table Conference? As the Prime Minister proceeded :

"And my Indian colleagues, you can twist and you can turn, you can turn a blind eye to this and a blind eye to that, you can draft with care and you can hide up what

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really is the substance of your draft, but if you were drafting your own constitution, without any outside assistance or consultation, you could not draft a constitution without embodying safeguards of that kind in it."

These safeguards must be looked upon in that light.

When we left London, it was understood or rather expected that at least some of us would try to prevail upon our Congress friends—we number so many amongst them—to come round to our view of thinking. But better than that, Mr. Gandhi asked for an interview with His Excellency the Viceroy. It was a case of one Mahatma meeting another Mahatma; it was a meeting of two great Mahatmas, for I regard Lord Irwin also as a great Mahatma. He is imbued with the one desire to do what is right throughout life, and particularly to do what is right in regard to India and the Indians, and I am sure that when he leaves the shores of this country within less than five weeks from to-day he will go away with the conviction and the satisfaction to himself that he has done his duty and there is no doubt in my mind that the name of Lord Irwin will go down in the history of India as that of one of the greatest of Viceroys we have ever had. (Applause.) Mr. President, whilst Mahatma Gandhi and Lord Irwin have done what they could to bring about peace, I must on this occasion not forget the very signal services rendered by three of our delegate friends, Sir Tej Bahadur Sapru, the Right Honourable Srinivasa Sastri and Mr. Jayakar. (Applause.) The country owes a deep debt of gratitude to them for their untiring exertions of the last few months.

It has been said that the negotiations which were carried on—it was said by a Member of Parliament—that the negotiations which were carried on at the London Conference were carried on with the leaders of India not of to-day not of yesterday, but of the day before. Whatever that may be, it is most gratifying to us that the leaders of the Congress have decided to come in and they have promised to co-operate. When they co-operate, we trust that the work of the Round Table Conference will be completed to the satisfaction of both India and England. Of course, we must not forget one class of Englishmen like Churchill, Lloyd, Rothermere and Beaverbrook and Company who, as I say, never see any good in India and the Indians, who tried to make out, while the Conference was sitting, as well as before and after, that Government were yielding to the agitation of a few hundreds and were harming the interests of the millions in this country. To them my reply will be in only one sentence, and that sentence I take from the Prime Minister's Book "The Awakening of India". It is this :

1 P. M.

"It is as true in India as it is in the West that a few make the opinions of the many and that the cells which determine growth are of an insignificant bulk, compared with those which maintain form and mass."

I will not take up any more time of the House. I am aware I have already exceeded my time limit. I am sure the country at large recognises that the Round Table Conference was an excellent idea and further recognises that the Round Table Conference has made a splendid beginning, and it rests with those who take part hereafter to make its work a complete success, which we expect it will be, so that peace and plenty may once again smile on this land. (Applause.)

THE HONOURABLE MR. G. S. KHAPARDE (Berar Representative) :
Sir, I wish particularly to be brief, and therefore I have made an endeavour, as I usually do, to put these big things in popular language and in homely

words. It is no use having long words, words of learned length and thundering sound ; they do not go far. Well, in this particular instance, the first point which I wish to make is the atmosphere in which this Round Table Conference was held ; and that atmosphere was immensely favourable. We know how our delegates were treated, princely entertainments were given to them, they were taken over to see the show, and all that sort of thing. Now, that was in England. And what took place in India ? In India the *Times of India* initiated what it called census and called upon all the Europeans living in India to vote as to whether a further instalment of Reforms should be given to India or not. And the result of that was that 83 per cent. of the Britishers staying in India voted that India should have an advance in political reform. That was a very good atmosphere, was not it ? Can it be better ? It showed that the Britisher was disposed to give you more and the heart of England was sound. But then our friends went this long distance at great inconvenience and expense to themselves ; they went to ask. Well, now, the giver is willing to give and the person asking is ready with his hands to receive. What is there to prevent the giver from giving and the recipient from receiving ? That is the whole question : it is a simple question, and I hope to answer it for myself. You all know that all our Finance Ministers always want to have a great surplus, but unfortunately it does not come. Then we say : "Why, there is no surplus ? Yes, world circumstances have changed the whole thing." So, it is world circumstances that have changed this fortune of India too. There is the giver willing to give and the receiver willing to take, but it cannot be given now. Why ? That question requires a little analysis, and I have made it as easy as possible. In this particular case we should take the political state of England. The Government in power has not an absolute majority. If they want to keep on going they have got to depend upon the Conservatives. They cannot say to us : "Here it is ; you take it away". In India also there is a good deal of division ; we are divided amongst ourselves ; I suppose that is not a secret at all. That being so, the world circumstances which prevented us from getting these things are only one ; that is to say, England is not of one mind on this matter, nor is India of one mind. And that is where the trouble comes. You may say that there is a great deal in the papers at present that the Conservatives in England are sitting on the fence, and there is Mr. Churchill speaking and directly going against Indian aspirations. Yes, it is so. But you see it is the Conservative Party that sent Lord Irwin to us here. Where then is the trouble ? It is a peculiar phenomenon that is being enacted before our eyes. It may be that Mr. Churchill does speak very unhappy things. But when the time for action comes, I think probably he will help us. Mr. Gandhi—I would call him Mr. Gandhi ; Mahatma Gandhi he is not or he may be, I do not know—speaks here in favour of progress but always works against it. When the Minto-Morely Reforms came, Mr. Gandhi was not on the horizon ; when the Montford Reforms came, he talked well but prevented his followers from coming to the Council. When the question of convening a Round Table Conference was raised, he talked much but started his civil disobedience movement. So, here are people who speak against you and yet will help you, and here are people who speak for you and yet will obstruct at the right time. The greatest joke of it is that Mr. Gandhi after the Conference, to which a reference was made in this House, said that he had won all round ; it was a great victory and his followers should not feel elated about it ; they should be very humble. As we all know, he came in with his 11 points, but now we see that he did not get any single point ; he has been beaten hollow. All the same he comes forward as though he was victorious and there are people who will recognise his victory. I do not know how this will work, but anyhow there it is.

[Mr. G. S. Khapard:]

Coming to the Round Table Conference, I should think that people who were anxious to secure much have not secured it. I think the delegates who went would have done well if they had secured something—a British India and an Indian India. All that they have given us is a Federation—a very charming word ; it is a word with which you fall in love at once ; there is no doubt of that. But there is this trouble. Our delegates who went to England would have done immense good if they had brought back with them a little more advance, a little more representation. The delegates were good people I admit—nearly all of them are my personal friends, and so I am not interested in speaking against them—but this Federation appeared on the field. You know the characteristic of love is that the latest love suppresses the love of the previous ones. They saw “Federation”, they were immensely delighted and forgot about all the mission that they went on. We are a smaller firm in India while the greater firm is in England. We want to be masters of that smaller firm, and we want to be consulted in future as we are not at present. They went there for that purpose ; they could have worked for this little bit in this good atmosphere and got it. But this Federation came in and they fell in love with that Federation. The labours of Provincial Governments, the labours of the Central Committee and the labour which the Government of India took in framing their Despatch were forgotten. The Federation whatever that is—we will see about that—is something which took them entirely off their feet. This Federation business is rather a different job. I do not want to speak about it much. I am not against it certainly, because after all our delegates have accepted it and after their having accepted it, it is our duty to accept it also and do the best under the circumstances. However difficult it may be it does not matter in the least. We have got to take it. Therefore, I say, Federation is not a bad word. It is a beautiful word. “F” stands for federation itself. (*The Honourable Mr. A. Hamid* : “Nothing else”.) There is the letter “R”. That represents the responsibility that is to be introduced into the Government. “I” is the identification of interest of India and England. “E” means equality, that is to say, both these will be completely equalised, no one dominating the other. “N” means that this has to be carried out not by force but by negotiation and by consent. “D” is the last letter and it stands for defence, which includes internal and external defence and all the departments of the Government taken together and put into one. This is a beautiful word and we are fond of it. Our delegates have accepted the position and the best thing that we can do is to accept it ourselves. There is no good quarrelling with our own agents. They have done it already and we must accept it. But we must concentrate our attention upon the five letters that I have described. It does not much matter if there are small differences in small matters. Even wives and husbands do not agree on all subjects. With all these differences we still get on and manage to live.

The next thing to see is how to bring this about. There are two things that have been said. One is that the constitution should contain elements of growth in itself, and that it should be suitable. Of course, any constitution, if it is to be anything, must have elements of growth in it. What are the present elements of growth ? If we want to make a move then we put a question, and if the question succeeds, all right ; if not, then we move a Resolution to press the thing. There are only these two ways open to us. I suppose these two will be open to us even under the Federation. Though dyarchy has been abolished in the provinces, it has come into the Government of India. I wanted to see how dyarchy which is bad for the provinces is good enough for the Central Government. Does it change its character or its colour by

coming over to Delhi instead of remaining in the Central Provinces ? I tried to see the discussion but it is simply said there that dyarchy is to be abolished. No reason is given there. What is bad enough for the circumference is also bad enough for the centre. Dyarchy should not have come into the centre, but dyarchy is to come in. Why ? Because there are to be some reserved subjects. What we call "reserved subjects" may hereafter be called "Crown subjects". There will be other subjects called "federal subjects". Others will be "provincial subjects", and the thing will go on in an endless maze, and I do not want to go into it. All these have got to be taken with their limitations also. I studied Broom's "Legal Maxims" for my examination. There a principle is stated ; then come the limitations to that principle. These are what are called safeguards. Then come the exceptions to the principle. "Safeguard" is a bad word. It means as if one person is keeping away something, and another man wants to snatch it away, and therefore you build a wall in order to prevent one man from giving or another man from taking. The real words are "limitations of the principle". These principles of friendship or responsibility have their limitations, and these limitations are wrongly called safeguards. There are even exceptions to that, but we need not think of exceptions at this moment. We must get the limitations properly limited, that is to say, eliminate as many limitations as you possibly can. Take away the safeguards as far as possible, because all safeguards imply a certain amount of distrust, distrust either in the ability of the person or want of confidence in the person. In this particular instance I submit that there ought to be no distrust at all. As to want of ability, I suppose that both in the civil services and the military services there are my illustrious friends who have achieved triumphs. In the military circles I have not got a friend who has achieved a triumph. We have never been found wanting in intellectual equipment. We have been sending our young people and they have passed the Civil Service examinations and they are holding high places in the administration in the districts and provinces. Where is the difficulty ? All that is required is that this word "limitation" should be substituted for "safeguards". Remove that word and substitute a mentality which requires no safeguards, and the thing will succeed. If you have a mentality that has to be limited, then there is a bar. But take away the limitation, and the other side will also remove its own limitations. I am always accused of telling stories. So I will not tell a story. But the secret of it is this. If you do not fear a snake, it will not bite you. If you do not fear a tiger, it will not kill you. If you fear a snake, it will bite you ; if you fear a tiger, it will kill you. These limitations are the real terrors. If you take them away, then you will see that the thing will work well. I hoped that our delegates would have done better, but the thing has been done, and we must take it and do our best to accomplish the thing as I have just described.

THE HONOURABLE MR. A. HAMID (Burma : General) : Sir, I feel confident that I shall not err by taking advantage of the present opportunity afforded to me to express Burma's acknowledgments, sincere and grateful acknowledgments, to His Excellency Lord Irwin, for his unstinted and untiring efforts to save India, which was, but a few days ago, in the throes of civil war on the one hand, disunity amongst her own people and everlasting misery on the other.

By bringing about an honourable settlement between his Government, and Mr. Gandhi, the Leader of the Congress Party, Lord Irwin has earned for himself not only the gratitude and esteem of the 300 millions of the people of India, but has made himself endeared to them. His name will stand in

[Mr. A. Hamid.]

brilliant colours in the history of India as Irwin the Good, as Irwin the Christian and as Irwin the Peace-maker.

I offer His Excellency Lord Irwin my humble congratulations in which I have not the slightest doubt the House joins me.

Sir, I also wish to take this opportunity of recording our appreciation of the work done, and, recognition of the services rendered to India by the Princes and Delegates of India and Burma at the Round Table Conference ; in no less degree do we appreciate the most valuable contribution made by the Prime Minister and the representatives of all the parties of the British Parliament in the cause of India.

Sir, I am not prepared, and I have no inclination to speak on the matter of Federation pure and simple. The question of Federation appears to my mind, at least I picture it, as a pin cushion in so far as criticisms are concerned; I have therefore no desire to add another pin to make the already loaded cushion heavier. I therefore propose to put before the House my views, such as they are, in relation to Federation on its general aspects. But before I do so I would prefer to express my views on the past and present history, of this country. At the turning point of the history of this country, it may not be out of place to recall to mind the lessons of its past history, for it will hardly be creditable to our intelligence to forget the past in appreciating the present. To forget the days—and I say it in all sincerity—when the Mahratta lance and the Moghul sword were drawn full tilt, when the Rajas, Maharajas and Chiefs were steeped in their feudal rivalries or in wars amongst themselves, when the honour and wealth and the life of an individual was in the hands of only stronger individuals, is to forget our existence. At that period of strife and disorder the inscrutable Providence raised, as it were from the sacred ashes, a people ordained to enliven and give new birth to the people of this country and to mould order out of chaos. It is due to those people, and to those people alone, that India has marched on the road of its moral and material progress and prosperity. It is due to their administrative capacity and their political sagacity that a divided and bleeding India of old has become a strong and aspiring India of to-day. It is to the everlasting credit of the British people that Delhi has not been plundered and scorched for the eighth time nor the occasional devastation of the country from end to end had been repeated for a period of 150 years or more. Glorious no doubt, though, has been the past history of the British people in India, a work of a more solemn and sacred nature lies before the British people in the future. To say that the mission of Englishmen in India is fulfilled, to say that Englishmen are not wanted any more, to say that India can do without Englishmen is, to say good-bye to India. If I were to be asked for my reason for the preface I have just put before the House, I would submit that—and I say this in order that Sir C. P. Ramaswami Ayyar may understand my “No”—as long as Hindu-Muslim unity hangs in the air, as long as Hindus and Mussalmans remain two distinct factors in the nationhood of India, so long India cannot help but be controlled and ruled by England. That is inevitable and that is the truth ! I am not a communalist. I loathe the word. I abhor it. But in all conscience I cannot shut my eyes to it. And why ? Because King Akbar failed to bring about the desired unification of the two great communities in spite of conciliatory measures, while Aurangzeb on the other hand tried different methods and failed miserably too.

Will Mr. Gandhi, the Indian saint, who has been working for that end and for years, succeed ? I do of course raise my hand to salute him for his sermon

of the day before yesterday, but I doubt whether sermons alone did ever influence people to give up their inherent vices.

The only way—I am afraid I shall get it in the neck in this House and probably outside as well for saying it, though I am brave enough or audacious enough to say it—to bring about real unity is to force the issue upon the country with a Statute. Under that Statute you will be enabled to compel the fanatics on both sides to agree, or it may be that you may have to have some of them shot and some of them hanged, and thus cure this cursed malady of communalism which is sapping the physical and moral strength of India. A temporary patch up, or just a mere “entente cordiale” between the fanatical sections of the two communities will only mean political debut, having for its object opposition and obstruction of such elements of progress as may otherwise lead Indians to that freedom which is their birthright.

THE HONOURABLE NAWAB KHWAJA HABIBULLAH : Does not the Honourable Member come from Burma ? What does he understand about India ?

THE HONOURABLE MR. A. HAMID : I will reply to that after a while. Right-minded Indians, however, do not require political “make ups”. They do not want 14 or 11 points. They want real substantial unity, unity in word and unity in deed. If this type of unity cannot be reached by reasonable measures, the time will come when Indians will demand that it be brought about by force. Our representatives at the forthcoming Round Table Conference will have to take serious notice of the country’s decision....

THE HONOURABLE MR. H. M. MEHTA : I rise to a point of order, as to whether we are discussing the Round Table Conference or Hindu-Muslim unity ?

THE HONOURABLE THE PRESIDENT : The Honourable Mr. Hamid.

THE HONOURABLE MR. A. HAMID : They will have to take notice of the country’s decision that no Federal or other combination of names can ever help India without obtaining the unity of the two great communities of India first, and I take it that is virtually what Sir C. P. Ramaswami Ayyar has just said. Enlightened India does not want to be thrown from the frying pan into the fire. Enlightened India will hold fast to the tails of its past and present masters unless it is emphatically convinced that there is unity in the land in all its aspects. Enlightened India does not want to go back to the period of Sikh rule, when Mussalmans in the Punjab and the North-West Frontier Province were no better off than slaves. Enlightened India does not want to go back to the period of Aurangzeb, when Hindus were treated as nothing on earth. It wants a united, contented, free, prosperous and smiling India. I therefore warn the Government not to dissipate their energies in the direction of evolving a constitution but set themselves to settle the question of a sovereign importance and that is unity first and unity last.

THE HONOURABLE SARDAR BAHADUR SHIVDEV SINGH UBEROI : Is the Honourable Member aware of the fact that a Muhammadan was in the Council of Maharaja Ranjit Singh ?

THE HONOURABLE MR. A. HAMID : I am fully aware of the exception.

THE HONOURABLE THE PRESIDENT : Is the Honourable Member likely to conclude his speech shortly ?

THE HONOURABLE MR. A. HAMID : In two minutes, Sir. I am sorry for having taken so much of the valuable time of this House and I would plead guilty to the charge, if it is brought up, that I have not yet said a word about Burma. I left over the question of Burma not because it was not uppermost in my mind, but because I was afraid that if I did not speak as I have done, my own people would not perhaps have had another opportunity of hearing my views on the implication of the changes which they seek in Burma.

As regards the position of Burma, in connection with the next Session of the Round Table Conference, the less I say the better. I will therefore be brief. The representations of the Burma delegates at the London Conference are embodied in the proceedings of that Conference and Honourable Members, I daresay, have read them. I was in accord with the demand for separation before my election to this Council. I am in agreement with that demand to-day. As our delegates at the Round Table Conference have very carefully avoided committing themselves to the details of a Federal Constitution. I feel therefore inclined to follow their footsteps. I would however submit that, come as it may, Burma will not be satisfied with anything short of what India may get by way of reforms ; and for the rest of my submission I may tell Honourable Members that if India can convince us that the principles of Federation are likely to improve Burma's condition in regard to its voice in the Central Government and also in regard to its finance, I see no reason why Burma should not join the Federation in preference to becoming a detached unit of an Empire, still dependent on India for labour, capital and professional men and a variety of other things.

Sir, I beg to apologise for having taken so much time.

The Council then adjourned till Twenty-five Minutes to Three of the Clock.

The Council re-assembled after Lunch at Twenty-five Minutes to Three of the Clock, the Honourable the President in the Chair.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS (Punjab : Non-Muhammadan) : Sir, the Round Table Conference has achieved a great deal. It has been successful to a degree quite beyond the expectation of most of us. The delegates who took part in it deserve our congratulations. The readiness with which the Ruling Chiefs gave their consent to come into the Federation came to most of us as a surprise. It speaks volumes for their patriotism, forethought and statesmanship to have decided to take part in the future constitution of India with the people of British India. This constitution will go down to posterity as the constitution of the United States of India. The Conference has done the spade work and laid the foundation. It remains now only to erect the superstructure. The list of Federal subjects as also of the Central subjects pertaining to British India alone does not seem to require much change. The control of the Central Government over the Provincial Governments to secure co-ordination between provinces and to maintain peace and tranquillity in the country as a whole should be clearly defined.

It is gratifying to find that full provincial autonomy has been unanimously recommended. The discretion given to the Governor to appoint an official in the Cabinet, as recommended by the Simon Commission, has been unanimously condemned. The power of intervention which is given to the Governor by section 52 (3) of the Government of India Act is proposed to be taken away. As to reservations and safeguards in the Provincial Government, there may be differences of opinion. There was, however, unanimity that on occasions of emergency, when there is a breakdown of the constitution, the Governor should be empowered to intervene. The majority of the delegates recommended that the Governor should be empowered to intervene to protect (1) the interest of minorities and (2) to maintain peace and tranquillity in the province. My own view is that Government's intervention in the interest of the minorities is, in the first place, an inadequate protection and in the second place is liable to abuse. Proper and adequate protection of the minorities consists only in a proper declaration of the fundamental right of citizenship unassailable by a majority. If the rights specified in such a declaration are of such a nature that their infringement can without such inconvenience be made justifiable, intervention by the Governor would become unnecessary. But some men of the minorities gave a long list of rights in the enjoyment of which they wanted protection and a feeling of security. Such rights may be violated not only by legislative enactments but by administrative orders. An appeal from administrative orders involving infringement of the rights of a minority should lie to the Governor on the administrative side. Thus the Governor's interference and adjudication by civil courts should supplement each other. As to the power of intervention for the purpose of maintaining peace and tranquillity in the provinces, I may say that this would become unnecessary when a proper sense of responsibility develops in the electorate, in the Legislative Chamber and in the Cabinet.

With regard to the Central Legislature and on the part which the Princes will play in it, many points remain to be decided. I hope that the election to the lower House will continue to be direct and the weightage proposed to be given to the Princes will not exceed reasonable proportions. Their interference in matters relating purely to British India, in other words, in matters dealt with by the Central subjects, appears to be altogether unnecessary. I see, however, no objection to their representatives being included in the Cabinet. It must be remembered that the Cabinet, as a whole, deals with Federal matters as well as with matters purely relating to British India. There is, therefore, no reason to exclude the Princes from the Cabinet.

It has been said that the representatives of the Princes will exercise reactionary influence. It should not be forgotten that India is moving rapidly towards democracy. The forces under the influence of which the Princes have consented to co-operate with us will in course of time increase in volume and strength. In some of the Native States there are elected Assemblies and Legislatures. From these States the representatives of the Princes will probably come from the elected Chamber. This mode of representation will gradually spread to other States and may strengthen the demand for elected Chambers in the States. No future constitution of India could ignore the Native States. The Nehru Report proposed to include them. In fact, the Report of the Butler Committee was criticised as recommending the partition of India into British India and Indian India. There is, therefore, no justification for looking upon the inclusion of Princes in the Federation with suspicion. Responsibility in the Central Legislature has been introduced, keeping military and foreign affairs as subjects to be administered by the Crown for the transitional period. I will deal later with the question connected with problems of

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defence. Before dealing with them I should like to say a few words on the reservations for the Department of Finance. No one can question the propriety of the Governor General's power of intervention in matters which tend to lower the credit of India in the world. But I do not know by whom the Governor General will be guided if he is not prepared to accept the advice of his own Finance Minister. Would it not be better to assign a time limit to this power of intervention? There is no reason to apprehend that the elected Chamber will always be unfit to grapple with financial problems.

It is to be regretted that the minority question has not been settled. Its settlement has been left to the minorities themselves. I do not think that it is right for the British Government to shift the responsibility of settling the communal problems to the communities themselves. The separation and isolation of the communities is a creation of British rule and if such separation and isolation is incompatible with complete self-government, it is the duty of the British Parliament to do away with that policy of separation and isolation which is a misfit for the type of the Government proposed to be introduced. Putting the matter in a more concrete form I would say that separate electorates are not calculated to produce that harmony which is a necessary condition for working representative institutions on a democratic basis. The Simon Commissioners in their proposal, which fell far short of introducing complete self-government even in the provinces, recommended that the abolition of separate electorates should depend upon the mutual consent of Hindus and Muslims regardless of the fact whether a particular community was in a minority or majority in the province. In doing so the learned Commissioners ignored the genesis of separate electorates. These were introduced as a measure of protection to the Muslim minorities. Their continuance in the Punjab and Bengal, where the Muslims are in a majority, should not have been recommended. The Hindu minority both in the Punjab and Bengal objected to separate electorates. They do not look upon it as a privilege but as the negation of a privilege. A number of Muhammadans who were signatories of the Nehru Report—and they have a fairly large following—hold this view. At page 30 of the Nehru Report it is clearly explained that separate electorates far from being a protection for the interests of the minorities will be harmful to them in an autonomous province. The learned members of the Statutory Commission made a careful study of the Nehru Report but ignored the view of the framers of that report about separate electorates being prejudicial to the interests of minorities. The Commissioners, however, maintained the principle of reservation of seats in the proportion in which they exist at present. They were unwilling to interfere with the weightage given to the Muslims in different provinces at present. They would not for the sake of giving an absolute majority to the Muslims reduce the weightage of other communities. The Government of India Despatch went far beyond the Report of the Simon Commission in meeting the Muslim's demands. In this Despatch an absolute majority to Muslims was recommended both in the Punjab and Bengal.

Coming as I do from the Punjab, I examined the Punjab figures given by the Punjab Government on which were based the recommendations of the Government of India. The proposals of the Punjab Government proceed on erroneous data. The population of Hindus in the Punjab is 31.98 including Jains and Buddhists who are a part and parcel of the Hindu community and for whom no separate seats have been assigned. The proportion of Hindus is not 31 as pointed out by the Punjab Government. It is nearer 32 than 31.

Out of 134 seats proposed by the Punjab Government for the Punjab Council, the Punjab Government assigns 66 seats to Muslims, considering the labour seat to be indeterminate. It is as such a Muhammadan seat as the University seat which has been credited to Hindus is a Hindu seat.

The commerce seat which is included in the 40 seats assigned to Hindus is not a Hindu seat for the European voters preponderate in this constituency. The Hindu representation, therefore, is reduced to 39 which is nearly 29 per cent. or about 3 per cent. below the numerical proportion of the population. The Muslims are given a majority of 4 over Hindus and Sikhs combined and not of 2 as pointed out by the Punjab Government.

In no province in which the Muslims are in a minority is it proposed to reduce their representation to anything less than their numerical strength in the population. On the contrary, they have been given weightage. In the Punjab weightage already enjoyed by the Sikhs has been maintained.

Leaders of the political parties in England have from time to time said that in any constitution which might be framed for India, the interest of minorities would be protected. To reduce the representation of the Hindu minority in the Punjab to something below their numerical proportion is, in my humble opinion, a flagrant violation of the pledge. A double injury is proposed to be inflicted on the Hindu minority in the Punjab. They are deprived, in spite of their protest, of the right of electing Muhammadan and Sikh Members of the Council in whose hands lies their fate, whilst the representation of Hindus is also reduced by nearly 3 per cent. below their numerical proportion in the population. The Muslim population in Assam is 28·95. The seats at present in Assam reserved for Muslims are 29·2 (see page 144 of the Simon Report, Volume I). Nowhere in the world is a minority in a State treated in the manner in which the Government of India proposes to treat the Hindus of the Punjab and that in spite of pledges given by British statesmen from time to time to protect minorities. Are there any reasons for differential treatment of minorities? Why is it not intended to treat the Muhammadan question communally and not territorially? It was evident from the speeches made at the Plenary Session of the Conference that the demand for Dominion Status was unanimous. In the recent agitation all communities have taken an equal part. If the figures are reviewed provincially, it is natural that the part taken by a community in the majority will loom large. The majority community of the North-West Frontier Province has not lagged behind the majority community of the other provinces in the agitation for political advancement. Separate electorates should not be allowed to be used as a means of asserting communal ascendancy.

On the question of defence, some general recommendations have been made by the Round Table Conference. Action is being taken on them. I should like, however, to say a few words on the stress which has been laid lately on discrimination between the martial and non-martial races. It has been said that there are castes which have martial traditions and others which have not. The creation and extinction of traditions depends upon the policy adopted by the powers that be. The question now before the British Government is to prepare the people of India for defending their own country. It is not right to draw the attention of the people to differences of traditions and thus indirectly to defend a policy of discrimination based upon them. Is any one prepared to deny that the Kshatriyas were the warriors of ancient India? Had they no martial traditions? But for a long time past their recruitment to the Army has been stopped. I would ask His Excellency the Commander-in-Chief, who

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I am sorry is not present here to-day, to take a complete survey of the composition of the Indian Army since the time of Lord Clive. Castes from which no recruitment is now made furnished some of the best soldiers of the East India Company. Since the time of the Mutiny, the policy of the British Government was to encourage the enlistment of certain castes and to discourage that of others. The *Purbias* once furnished the best combatants for the British Indian Army. Their recruitment ceased after the Mutiny. The *Purbias* have since lost all their martial traditions. In the Punjab during the War, many non-martial classes—even the depressed classes—became converts to Sikhism or Christianity, and thereby got admission into the Army. By a simple change of religion their non-martial traditions were all of a sudden turned to martial. I might say, Sir, that during the War, the number of these converts amounted to over 60,000. So, Sir, I want the attention of the Government of India to be drawn particularly to the question of recruitment, and I urge that opportunity should be given to all communities to take up this field of service, and thus render India able, at the time when conscription comes into force, to defend herself.....

THE HONOURABLE THE PRESIDENT : The Honourable Member has exceeded his time limit. There is very little excuse for an Honourable Member's infringement of the rule regarding the time limit when he reads his speech. He must know exactly how long it will take him to read his speech, and it is evidence against himself that he set out with the deliberate intention of exceeding the time limit for a speech on a Resolution.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : In case that is your ruling, Sir, I must stop as I have no other alternative.

THE HONOURABLE NAWAB KHWAJA HABIBULLAH (Bengal : Nominated Non-Official) : Sir, I rise to speak as silence on an important occasion like the present one may be misconstrued, misunderstood and misinterpreted. With the Irwin-Gandhi settlement, India has taken a very big step towards the attainment of her ultimate goal. The task of evolving a constitution for a vast country like India with its millions of population and countless castes and creeds is by no means an easy one and has already taxed to the utmost some of the best brains of England and India. With the progress of the deliberations of the Round Table Conference it had become more and more clear that an atmosphere of peace and good-will was essential for the successful termination of its labours and rendering them fruitful. To the achievement of this object the greatest Viceroy of modern times devoted his undivided thought and attention and, at last, snatched victory from defeat where ordinary men would have failed. To the broad-minded statesmanship of the Viceroy and Mr. Gandhi is due the grateful thanks of the peoples of England and India and of the British Commonwealth of Nations, and I welcome the Irwin-Gandhi settlement as a Magna Charta of abiding peace and good-will for India.

The Hindu-Muslim problem is the next big question the satisfactory solution of which will ensure the continued maintenance of an atmosphere of calm, peace and good-will, and facilitate the task of evolving a constitution acceptable to all the communities.

The demands of the Muslims for protection and safeguard, if considered dispassionately, would not be found unreasonable. Like India's mistrust of England, mistrust and suspicion are at the root of Hindu-Muslim tension and

disensions. The unauthentic text-books on Muslim history taught in schools are in no small measure responsible for having created in Hindu minds a feeling of mistrust against the Muslims. The late Mr. C. R. Das did his best to remove that mistrust and restore the old feeling of friendship and neighbourliness. His untimely death unfortunately put a stop to that noble work, and the activities of militant die-hards on both sides soon destroyed the beneficent results of his noble efforts.

The famous Bengal pact of Mr. C. R. Das is not only a standing monument to his far-sighted statesmanship but also a testimony to the reasonableness of the Muslim demands. Could it be suggested that a great patriot and leader and founder of the Swaraj Party entered into an unjust, unreasonable and inequitable pact simply to placate the Muslims? Was he a heartless opportunist who wanted to deceive the Muslims and hoodwink his Hindu followers merely for his own personal advancement? Most emphatically no. He drew up the Bengal pact and piloted its acceptance by the original Bengal Congress because he was convinced of the justness of Muslim demands, because he was convinced that in acceding to them he was advancing the cause of India.

Sir, if I understand the meaning of democracy aright, it means equal rights and privileges for all. Is it then too much to ask, as the Muslims do, that the interests of the minorities should be adequately safeguarded? Our brethren, branded as they are as Depressed Classes, who have hitherto been denied any scope of self-expression and have meekly borne the stamp of out-caste, but who are no longer inarticulate and have been making their potent voice felt, must also have their reasonable share in this confederation.

Sir, we Muslims ask for a 33 per cent. representation in the Central Legislatures. Sir, we Muslims ask for separate electorates because we sincerely believe, situated as we are at present, that it will serve the interest of the Motherland better. And speaking for the Muslims of Bengal, to which province I belong, we want separate electorates and representation according to population which, I venture to hope, will be conceded as a just and reasonable demand.

Sir, the Muslims are not unmindful of their duty at this critical juncture. They have already made a gesture to Mr. Gandhi through the All-India Muslim League to bring his influence to bear on all concerned and make up all differences by resolutely putting his foot down on all writings and speeches which widen the breach between the sister communities. And it was highly encouraging and extremely gratifying to find that on his part Mr. Gandhi was not slow in responding to their call. It was like his noble self to exhort his Hindu brethren in his memorable speech on the 7th to rise to the occasion and make the sacrifices needed of them in this hour of trial, for it is the majority community, he holds, that can afford to be magnanimous and accede to the demands of the weaker ones so as to bring them within their fold and link them into an undivided whole—the United India. Sir, union makes strength, and once the Hindus and Muslims sink their differences it is as clear as daylight that their united demand for their legitimate rights will acquire a force, the intensity of which can well be imagined. To the task, therefore, of bringing about Hindu-Muslim union should the thoughts of all lovers of their Motherland be now directed.

Sir, I would not touch on the achievements of the London Round Table Conference and to what extent they fell short of our expectations, nor do I consider myself competent to express any view as to the shape the constitution of India should take. I have no reasons to doubt now that the whole of India will be represented in that august body, that the destiny of India is in perfectly safe hands, and with toleration and good-will as the guiding principle,

[Nawab Khwaja Habibullah.]

the intricacies of this great problem will unfold themselves and a solution acceptable to all will no longer be difficult of attainment. But all will depend on the inflexibility of our determination to work together. So, let our watchword be "Unity" and let us put our shoulders to the wheel to achieve, call it Dominion Status or self-government.

THE HONOURABLE SARDAR BAHADUR SHIVDEV SINGH UBEROI : (Punjab : Sikh) : Happily we are discussing the achievements of the Round Table Conference in an atmosphere which is quite different from that in which that august body took its birth and started its work. It was said openly in those days that it is only the Congress people led by Mahatma Gandhi who could deliver the real goods on behalf of India. It has proved to be true, but at the same time India cannot forget the boldness and the courage which members of the Indian Liberal Federation like Sir Phiroze Sethna and Sir C. P. Ramaswami Ayyar displayed in expressing their willingness to join in the deliberations of the Round Table Conference in London. I have nothing but admiration for those stalwart patriots of India who, in spite of the opposition which was shown to them by the masses led by the Congress, at that juncture showed the courage of their convictions and joined the Round Table Conference. They have given a very good beginning for the future constitution of India, but I cannot help saying that had it not been for the deliberations in London who would have brought the Princes and the representatives of peoples of India into a common federation, and who would have got this declaration from the Prime Minister of the British Government which reads as follows :

"The view of His Majesty's Government is that responsibility for the Government of India should be placed upon the Legislatures, Central and Provincial, with such provisions as may be necessary to guarantee during a period of transition the observance of certain obligations and to meet other special circumstances and also with such guarantees as are required by minorities to protect their political liberties and rights."

I count this as a very great achievement, because before they started for London there were misgivings in the minds of the people of India that perhaps the declaration of 1917 may be construed by English statesmen as not meaning full representative Government amounting to Dominion Status. All those clouds are removed now. But whilst I am fully cognizant of the good work done by the members of the Indian Delegation, I cannot tolerate the remarks which my friends Sir C. P. Ramaswami Ayyar and Sir Phirozo Sethna passed about another Honourable friend of mine, Sir Sankaran Nair. They said that Sir Sankaran Nair has tried to pick holes. I do not agree with that view, although if nobody picks holes there will be none to fill those holes in order to make the ground level. Sir Sankaran Nair has tried to show the deficiencies in what has been achieved. I think he has done good. Sir Sankaran Nair of course holds the view that when full representative Government is granted it is not consistent with the principle of representation on a communal basis. And I think it is admitted by my Honourable friend Sir Ramaswami Ayyar that they have done so in the belief and in the hope that there would be unity amongst the different classes and communities of India. It is a very good wish and I fully endorse it, and I think nobody can express his views better than what the Premier himself has said on this point.

"If we are animated by anything, it is by the conception of India herself—India a unity, India feeling behind and below and above and beyond her communal differences that mystic bond of unity which the great poets, the great philosophers, and the great religious teachers of India have always felt. Believe me, the British Government has no desire to

use your disagreements for any ulterior purpose. Quite the opposite. Our one ambition is that, being in a sense kith and kindred with you, (since history, whether you liked it or whether we liked it, has woven our destinies somehow together), we may use that unity with you in order to pave your way and smooth your path to that much required internal unity amongst yourselves."

I do not think any Indian can better express this view of unity amongst Indians, but the question is how to bring about that unity? Since the inauguration of the reformed constitution of government in India, as ill-luck would have it the party in whose hands it was to grant the constitution had adopted the principle of separate electorates and separate representation of different communities. Well, that has worked for nearly 12 years, and everybody is aware—I need not recite the facts—how this has acted against the unity of India on a common platform during the last 10 years. If that principle which was acted upon has not brought unity, which is the foundation stone of the future constitution of India, how is it expected that if the same is continued in the future that would bring the constitution of India to the full representative system of democracy? Whilst many knots have been opened by the members of the Indian delegation in London with the help of British delegates and Princes it is a matter of very great ill-luck of India that this knot has not been properly opened, with all the strenuous good wishes and efforts of the Premier. With all the good wishes which I entertain, I observe that if the free atmosphere of England has not been able to saturate the minds of those gentlemen who were representing the minority communities there to come to some common settlement, I have my doubts that in India they will be able to achieve it; but I believe in Divine power and Divine power can effect miracles.† One miracle has been effected lately—Mahatma Gandhi has been able to reconcile himself to the views of Mahatma Lord Irwin, as my friend called him. I think that has brought peace; that has brought such an atmosphere in the country which will enable every well-wisher to work in a smooth atmosphere for the future constitution of India; and we all feel grateful to Lord Irwin for that and it is no wonder that such a miracle can be wrought by the Divine power in the very near future for bringing the Hindu, the Moslem, the Sikh and other minorities to come to some common understanding. Going into practical politics, I wish that some tangible step had been taken by the Indian Delegation in London towards bringing that unity amongst the communities. But nothing has been achieved in that respect and I would certainly commend for the consideration of everybody concerned the formula which the Indian Central Committee decided by a majority of members—and it is put down in their Report—that every minority community should have a reservation of seats on the basis of population or their voting strength in a joint electorate. That is of course a definite step forward to bring all the communities closer for the common good of the country. No such thing has been brought out in the deliberations of the Round Table Conference. Although it is said that the Indian Central Committee's Report and the Simon Report are back numbers now, it is always very good to search back numbers and take the good points from them. This was a step which the majority of the Indian Central Committee thought would bring both the communities together.‡ Sir Ramaswami Ayyar of course advanced a very pathetic appeal to the youngsters of India to work for this unity. Let me submit for his consideration that the community to which I have the honour to belong submitted a memorandum to the Simon Commission at Lahore in their own province the signatories of which were not youngsters, but elders like Sir Sardar Sunder Sirph Majithia and my humble self, if I can be considered an elder because of my grey beard—we had put in very plainly in that memorandum that if the Mulermadan community were prepared to forego the system of separate electorates and

[Sardar Bahadur Shivdev Singh Uberoi.]

separate representation the Sikhs would also follow them because the Sikhs consider it a drawback in the advance of constitutional government in India. I think myself and other friends who have signed that memorandum are still sticking to that principle and I beseech.....

THE HONOURABLE NAWAB KHWAJA HABIBULLAH : On a point of information I wish to know what the Sikhs called themselves in the last Census Report.

THE HONOURABLE THE PRESIDENT : Order, order. If the Honourable Member wishes to interrupt, he must rise in his place.

THE HONOURABLE SARDAR BAHADUR SHIVDEV SINGH UBEROI : We still stick to what we have submitted in our memorandum, but at the same time I beseech my Muhammadan friends here on the floor of this House that they should also consider this question from the general, broad, point of view of the welfare of the country. After all, we have to live in this country as brothers and kith and kin, and we must sacrifice our personal interests for the interests of the whole. Let us hope that Mahatma Gandhi after having settled the first preliminary points with His Excellency Lord Irwin will devote all his attention to bringing about this unity. But whilst I am wishing all this, I must be plain and I think I should be lacking in the duty which I owe to my community, if I do not say that. If this system of communal representation by separate electorates is to be maintained in the future constitution of India in any form or in any province, my fellow Sikhs will stick to their guns and demand their full right in the province in which they were rulers before the advent of the British ; and I must tell you without meaning any threat to any side, whether it is the Treasury side or the side of the representatives of the people, that if there is no peace in the Punjab, India should not dream of any peace altogether. Punjab is the gateway of the whole of India and it is the Punjabis and the Punjabi Sikhs who would keep the Red Shirts outside the border. So do not get the Punjabis, especially the Sikhs, to be discontented. The Sikhs pay a very heavy sum—more than the proportion of their population—to the Treasury of the Punjab Government. They pay 40 per cent. of the land cesses, etc. ; they claim that they were the rulers before the British took the Punjab. They also claim that they are equally advanced with any community for the democratic form of government. They are not a community only of warriors as is generally known in the world, but they are a community of letters also. In the last 25 years they have developed their educational programme in the community to such an extent that they manage more than 300 schools in their own province, where there are only 25 or 30 lakhs. They manage and finance two first grade colleges and about 60 high schools and they are so democratic and broad-minded that those schools are open to the children of the soil without regard to class or community. The Sikhs whilst agreeing to the abolition of the system of separate electorates if Muhammadans agree would very much like that their claims should be properly considered. Of course, they would be in their places to fight for their claims, but I wish that that fight may be fought in a brotherly and affectionate mood. Give and take should be the principle to be adopted for settling these points, but I would repeat that point again, Sir.....

THE HONOURABLE THE PRESIDENT : I would ask the Honourable Member not to repeat any thing at this stage. He has exceeded his time limit already. When numerous Honourable Members are anxious to speak still, I am afraid I cannot allow any latitude.

THE HONOURABLE SARDAR BAHADUR SHIVDEV SINGH UBEROI :
I do not wish to trouble the House with anything more.

THE HONOURABLE RAJA RAGHUNANDAN PRASAD SINGH (Bihar and Orissa : Non-Muhammadan) : Sir, in welcoming the splendid achievements of the Round Table Conference it is necessary to say a few words in praise of the Indian delegates. The success of the first session of the Conference, and, indeed the recent Irwin-Gandhi agreement is due mainly to personal contact. Before the Indian delegates went to London there were preconceived notions which were immediately dispelled once the parties were round a single table ; and a warmth of feeling and understanding of the respective points of view took their place. The delegates on their return were determined that this atmosphere should not be lost, and the British Government were equally anxious that the two nations once brought together should not again drift apart. The result was that while Sir Tej Bahadur Sapru and his colleagues were striving, with the result now known, to induce the Congress leaders and Lord Irwin to meet, the British people, on their side, displayed a commendable patience until the result of the conversations at New Delhi were known. My object in mentioning the recent agreement is to draw attention to the fact that it is the very excellent foundation laid by the Round Table Conference that is in the main responsible for the great change that has come over the political situation in India. I respectfully contend that the next session of the Round Table Conference be held in India, possibly in New Delhi, if climatic conditions do not stand in the way. Not only would it be continuing the good work of contact that began in London, allowing the British delegates to see and appreciate the situation in India at close quarters, but the question of expense largely enters in. The saving of money as the result of the New Delhi Conference would be considerable and in view of the present state of India's finances as shown in the recent deficit Budget, I submit that this change of venue would be in every way desirable. A further and very important reason is that Mr. Gandhi has also expressed the view that New Delhi is the best centre for the next Conference, in which, everybody is pleased to know, the Congress delegates will take part. It is therefore in deference to the general wish, and with Congress support, that I make this suggestion.

As the Congress Party is now to send delegates to the Conference it will be necessary to extend the number of members, and I would suggest that the question of membership be gone into at once. In addition to the delegates from the Congress, there are other sections of the community to consider, and I would respectfully suggest that the interests of the landholders be adequately safeguarded by the presence of their representatives at the next session of the Conference. Further, I recommend to the Governor General in Council to take steps to get incorporated in the new constitution a statutory provision to the effect that the proprietary rights of landholders shall not be withdrawn without payment of adequate compensation. Landholders were once the bulwarks of India and they all along have been the supporters of established law and order.

THE HONOURABLE MR. P. H. BROWNE (Bengal Chamber of Commerce) : Sir, events are moving so rapidly now that it is very difficult to keep pace with them. It is not so long since we had the Statutory Commission with us, to be quickly pushed into the background by the Round Table Conference in London and now before we have even discussed the affairs of that Conference the whole outlook has become changed again by the recent settlement between His Excellency the Viceroy and Mr. Gandhi. I desire to associate myself

[Mr. P. H. Browne.]

very warmly with the tributes which have been paid to the Round Table Conference delegates on the one hand and to the Viceroy on the other. Sir, I think there is another section of the community which deserves our admiration and congratulations, and that is that large number of men and women who have patiently and steadfastly stood on the side of advance by constitutional means as co-operators in the work of building India's new constitution. With them this must have been a difficult year. It must have seemed to them that whenever Gandhi came forward the whole public stage was given up to him and that no attempt was made to hearten those who were resisting the temptation to follow the popular cry. In my opinion those men and women deserve the fullest recognition and congratulation, and I gladly take this opportunity of paying tribute to them. Now that a settlement has been arrived at, let us hope that Government will turn some of their attention towards these steady and sturdy co-operators. Sir, this settlement is only a beginning. It is far from being the goal itself. Whether this opportunity is fully used rests very largely with the Indians themselves, but we Europeans are more than ready to help them to make the best use of it. As was said in another place a few days ago, there are no such words as non-co-operation, boycotting or even picketing in our political vocabulary, and we should not be in the Councils now if we did not realise an obligation to help in any way we can the political advancement of India on safe and wise lines. The position as regards non-official Britishers in India is very simply stated. While closely interested in the whole constitutional question their chief concern is with two points—the position of minorities and the position of British commercial interests in India. Minorities must be safeguarded, and I am not thinking only of Europeans but of Muslims, Sikhs and all the other minorities. Europeans cannot agree to any constitution in which the interests and rights of *all* minorities are not adequately safeguarded. Among the interests of Britishers in India are our great commercial and industrial interests. Now on that point all that the British commercial community ask for is absolute equality of treatment. We want the same rights as we have now, the same rights as Indians have in England. As Sir Hubert Carr said at the Round Table Conference, those rights are not open to negotiation. We ask for no favour or preference, no weighing of the scales on either side. We cannot agree to be treated as foreigners. We are no more foreigners in India than Indians are in England. As a European Member in another place pointed out recently in a very able speech, we Britishers in India have now certain civil rights. We have the right of voting and the right of representation. Those rights carry with them obligations which we appreciate and do our best to fulfil. We try to take our full share in the working of the country by sitting in Corporations and Councils in the Provinces and in both Houses of the Central Legislature and in their Committees. Surely it would be entirely illogical now if you are to say to us, "You may have full civil rights, your voting and your representation, but your commercial rights must be strictly limited". Sir, adequate safeguards must be an integral part of the new constitution and it is on that condition that the European delegates at the Round Table Conference supported the great constitutional advance which was there foreshadowed. As the Prime Minister pointed out, safeguards are not peculiar to India, they exist in every constitution and what we have got to do is not to keep them out of the constitution but so to work together in India that they need never be exercised. More than one speaker at the Round Table Conference and elsewhere has claimed that good-will is the best safeguard of all. That, Sir, remains to be proved. But, in any case, the good-will *must* be reciprocal and mutual. The Round Table Conference delegates must fully realise that the original

declaration of 1917, the Viceroy's announcements, His Majesty the King's presence and speech at the Round Table Conference are all genuine expressions of good-will. And, Sir, could any man have shewn more patiently and consistently his good-will to India than His Excellency Lord Irwin? But, Sir, it is obvious that there must be reciprocation in this good-will, and I cannot honestly say that India has yet given any great indications of reciprocity in this respect. I appeal to my Indian friends to give more definite proofs of their good-will in all directions. Let the Hindus show more good-will to the Mussalmans and the Mussalmans react with more good-will to the Hindus, and let Indians in general show more good-will to their British friends. It is now up to India to settle her communal differences, and we are ready and willing to co-operate with them in forming a great federated Dominion of India.

THE HONOURABLE MR. M. D. DEVADOSS (Nominated Indian Christian): Sir, we are very grateful to those who took part in the Round Table Conference and brought about such splendid results. The European delegation, the Princes, and others who went from here have done very good work and their work has been justly praised. But, Sir, above all, our thanks and our country's gratitude are due to His Excellency the Viceroy who made the assembling of the Round Table Conference possible. By his untiring efforts he has been able to achieve what any other man could not have achieved. Lord Ripon on a memorable occasion in justifying his policy quoted the well-known verse from the Proverbs, "Righteousness exalteth a nation". If there was a Viceroy who strove to translate that maxim into practice, it is Lord Irwin. To-day the name of England is held in greater esteem than it ever was before, and what has been done is only an earnest of what is to come, and all the credit must be ascribed to the great Christian man who, through good report and evil report, swerved not one inch from the path of righteousness. His Excellency has been able to erect a noble structure of good-will and esteem between India and England.

Sir, I do not want to canvass all the questions raised before the Round Table Conference. I will confine myself to a few of the safeguards. It has been urged that the communal question is a very difficult one to settle. To my mind it is not so. There are different communities and different interests and it is best to satisfy them, and thereby bring about peace. Because men come from different communities, it does not follow that if they come to a Council like this or an Assembly like the one next door, they will be quarrelling here. Unfortunately in this country there have been barriers erected by social, religious and other restrictions which have kept the different communities apart, and it is wise statesmanship now to take note of the present situation and satisfy the claims of all. Sir, the community which I have the honour to represent is for Dominion Status and nothing less. But at the same time it is for its representatives being sent to the various Legislatures by its own constituencies. The Statutory Commission recommended reservation of seats. That, on the face of it, is unworkable. It is unnecessary for me to go into that matter at length as my time is short. I will only mention this. Supposing in Madras the Legislative Council is to consist of 200 members, and after excluding special constituencies like the Senate and the Chambers of Commerce and so on, say there will be left 180 seats. How would you distribute the Christian seats, which may number 12, among the 180? If that is not possible, would you divide the 25 districts, into which the Madras Presidency is divided, into 12 constituencies for the purpose of electing 12 Christian representatives to the Council? In this connection, Sir, I wish to say that the Depressed Classes should not be classed with the Hindus. In the Madras Presidency they number about 10 million, speaking from race collection, according to the last census, and their customs and manners are different

[Mr. M. D. Devadoss.]

from the rest of the population. They feel that unless they are represented properly their case would suffer. No doubt they are classed as Hindus generally. But considering that they are kept out of temples, tanks and other public places—I do not want to irritate anybody—it is not fair to label them Hindus for the purpose of election and other things. Sir, above all these things, above the question of mere representation in the Legislatures, there is the important question of the representation of the various communities and interests in the public services. No doubt in theory all the services are open to all classes of the King's subjects, but in practice unfortunately, it is not so. Till now we had the European element in the services to see that there was fair play. The Civil Service has done splendid work in India and it has always tried its best to see that no injustice was done to any section of the people on account of religious intolerance or communal bias. Sir, I am thinking of a time when this element will probably come to almost a vanishing point. At that time there must be something which would prevent the clash of interests and the creation of trouble in the country. The only way of preventing that is by a statutory provision that important classes should have only a certain percentage in the services, and that provision should apply to each cadre in the service. Otherwise the community which has got points of vantage may take all the higher offices and give a few of the lower and inferior posts to other people and say that the rule has been satisfied. No doubt this statement of mine would raise a good deal of opposition on the ground of efficiency and it will be said that I am introducing communalism. It is not communalism to claim for each community its legitimate share in the public services. It has its contribution to make, and it has also its expectations of reward from the public services, and that being so, it is not right to say that because a person claims a share in something to which he is entitled, he is putting up a communal claim. Again, as regards efficiency, there are people in all the communities who would fill worthily almost all the places in the public services. The evils of merely theorising on a matter like this may not be apparent now. The trouble may come 20 or 30 years hence when probably Government will not be in a position to meet it. In order to prevent that, I think, Sir, one must be long-sighted enough to see what might be the consequence in the future and to provide against it. I think in my humble opinion there should be a provision in the Statute itself that only a certain percentage of offices—the maximum should be prescribed—may be given to any particular community.

Another safeguard which I would wish to press upon the attention of the House so that it may be accepted by the Conference is this, that the recruitment to the Army must be from all the provinces in India. It is not right and it is not safe that the recruitment should be only from one province or from one section of the people, or from men of one way of thinking. At present we have the British element, both in men and in officers, whose presence would prevent any improper combination. But, Sir, the time may come when the British element may not be powerful in the Army, and if at that time some adventurer were to gain great influence over the Army it might be that the civil Government would be in danger. It is not necessary for me to take up the time of the House by referring to various examples of military dictatorships. Some people might say, "Well, the stalwart races are in the north, we cannot find proper men in the south for recruitment in the Army". Sir, that argument cannot hold water now. Strength of muscle and weight of body do not count for very much in modern warfare, because sometimes in a big battle the armies do not see one another and everything depends on the equipment, and I am thinking of the time when battles will probably be fought and won in

the laboratories of the chemist and the physicist ; that being so the mere weight and the height of a soldier would not count for much in years to come. Therefore the suggestion that there will be a loss of efficiency if recruitment is made from other races would not hold water. Then there is the other question, namely, the keeping up of the martial spirit. Sir, by not enlisting people in the Army, people who have been accustomed to serve in the Army lose all interest in the Army and their martial spirit also flags. In this connection I will read a passage from the report of the Madras Government on the recommendations of the Statutory Commission, page 18 :

“ The Government of Madras would remind the Government of India that the pre-eminence of the Punjab and the United Provinces as recruiting grounds for the army is comparatively recent, and has been a natural consequence of the gradual reduction of the old Madras army till there are now only three Madras regiments left. The Madras army has a fine record of gallant and loyal service, and military traditions are still strong in many parts of the Madras Presidency. If the North India recruit is admittedly superior in physique, the Madrasi claims superiority in intelligence, which is likely to count for more in the future than it has done in the past.

The Government of Madras consider that the interest of the Province demands that the military tradition and the proved military capacity of the Madrasi should be recognised by the restoration of the old Madras regiments. So long as the army is an Imperial concern, it is obviously desirable that it should be associated by recruitment with as wide an area as possible ; and the revival of the Madras regiments may also help towards the attainment of the goal mentioned in Volume II, paragraph 211 of the Report, the possession by a self-governing India of military forces of its own : for the fact that at present such an overwhelming proportion of the army is recruited from the Punjab and the United Provinces is one of the obstacles to the formation of an Indian National Army on which the Commission has laid stress.”

Sir, one other reason for recruitment in the other provinces is the economic question. By recruitment in various parts of India the people in those parts are benefited. And also by having Cantonments in different parts of India those parts are benefited. When different parts of India are making their contribution to the Imperial Exchequer it is right and proper that those parts also should be benefited by its expenditure.

THE HONOURABLE MR. G. A. NATESAN (Madras : Nominated Non-Official) : Sir, I must confess I was somewhat disappointed at the manner in which this subject was introduced this morning by my friend Sir Sankaran Nair, and after all the apologies of my Sikh friend for his colleague, the Chairman of the Central Committee, I am more inclined to share the regret expressed by Sir C. P. Ramaswami Ayyar and by Sir Phiroze Sethna that, instead of attempting to judge this very important report by its main conclusions, Sir Sankaran should have attempted to judge it by taking certain points which we know have always been points of difference. If my Honourable friend Sir Sankaran Nair will forgive me, it was with great pleasure that I read the report in the Associated Press of an interview which he gave to them as soon as the conclusions of the Round Table Conference were published. That interview read something like this—I am only quoting from memory. It said, “ Great step in advance over the existing system and I do hope our countrymen will accept it and work it in good spirit ”. I speak subject to correction. Sir, I rather fear my Honourable friend Sir Sankaran Nair was unable to appreciate the full implications of the Report of the Round Table Conference, because he was to some extent I fear obsessed by the conclusions of the Simon Commission's Report and the Report of the Central Committee and even the Report of the Government of India. To use the very felicitous language of His Excellency the Commander-in-Chief which he used on another occasion, I think it is a good thing that the Conference which met in London considered

[Mr. G. A. Natesan.]

all those reports as washed out, and the Conference applied itself in an entirely new atmosphere to the consideration of the form of self-government for India. To appreciate at its full worth the significance of the conclusions arrived at by the Round Table Conference you have to remember the tremendously distracted condition of the country before 1929. The very grave situation in the country led His Excellency Lord Irwin to proceed to England and make it clear to the Cabinet at home that the situation in India was getting out of hand, that something should be done to make the people of India believe that Great Britain did not intend to go back on her promises and pledges and that she was determined to find India a place honourable alike to itself and England, to find in fact her proper place in the British Commonwealth. I think no small measure of credit is due to His Excellency the Viceroy for having extracted from the Government at home permission to state publicly and to assure the people of India on behalf of His Majesty's Government that in their judgment it is implicit in the declaration of 1917 that the natural issue of Indian constitutional progress as there contemplated is the attainment of Dominion Status. The only way to judge the conclusions and deliberations of the Round Table Conference is to ask yourself honestly the question whether the conclusions arrived at at the Round Table Conference lead us to Dominion Status or not. Is there anything in them which will take us backward? I think a very close and impartial and honest study of the proceedings of the Conference, the reports of its various Committees, the speeches that have been made available, the Prime Minister's statement and, more than anything else, the debate in the House of Commons, the excellent speech of the Secretary of State for India—all these clearly go to show that those conclusions which have been tentatively arrived at take us onward to the attainment of Dominion Status and not backward. Sir, more than anything else, before the Round Table Conference met in London, there was a feeling of great and deep distrust in the country and a fear and suspicion, very often in my opinion justly founded, that Great Britain was not sincere in its promises. I think the Conference has proved beyond doubt—I am an optimist and I hope to die an optimist—that there is great hope that this will be done. I think great credit is due to the leading representative of the British community in India, Sir Hubert Carr, for stating that the greatest achievement of the Round Table Conference was the restoration of confidence in the good faith of the British people. You must all remember that when the Conference met it was an agreeable surprise not only to us but to the people of England and to the whole world that the Princes who were supposed to be antagonistic to the aspirations of the Indian people were at one with them in demanding Dominion Status for India. More agreeable still was the persistence and unanimity with which the representatives of all classes and communities and all political parties laid stress on the demand for Dominion Status. It is not for me at this time, particularly after the very able and eloquent speeches of my Honourable friends Sir Phiroze Sethna and Sir Ramaswami Ayyar who have done good work at the Conference, to go into details about the conclusions arrived at. Let us remember one or two things. In all these conclusions they have said from time to time that they are open to revision wherever mistakes have been made; they are open to additions wherever additions are thought to be necessary; and I am glad and I am but echoing the words of Mr. Benn, the Secretary of State for India, who, in congratulating His Excellency the Viceroy on his achievement in bringing Mr. Gandhi and his followers to the fold of the Round Table Conference, publicly stated that it means an additional strength to the cause we have in view and opens up a new era of peace and prosperity to this country. There are some in this House

who have talked somewhat sneeringly of Mr. Gandhi's efforts in this direction. It has been one of my rarest privileges to be associated with Mr. Gandhi for many years in the cause of the rights of Indians in South Africa ; and though unfortunately, to our regret and the regret of certain friends of Mr. Gandhi, we have not seen eye to eye in other departments of his activity in public life, no one, Sir, has ever ventured to doubt his honesty and sincerity of purpose, and in all that he has done he has urged nothing but the lifting up of India to its proper place in the British Commonwealth. Anyone who knows him or comes into contact with him even for a minute will realise that though he looks like an idealist and speaks as such, yet there is within him the instinct of the man of strong common sense which enables him to see what is possible and what is not. In one word I may say that he is perhaps as practical as others ; but there is one important difference. Once he is convinced of the justness of his cause, he sticks to it like anything. To him there is no compromise between truth and untruth. Politicians or diplomats cannot always follow this. I have thought fit to make this personal reference to Mr. Gandhi because I think that those who somewhat sneeringly referred to him or to the Congress do not fully realise the gravity of the danger that lies before us or the seriousness of the wrong they are doing to the great, the very manly and honest effort which His Excellency the Viceroy has been making for the last one week to persuade Mr. Gandhi and others to enter the Round Table Conference. It is quite possible that by their entry in some directions we may improve ; it is quite possible that in other points we do not see eye to eye, but if, as I hope and as every one is most anxious it should happen, by their co-operation a scheme is evolved for the future of our country, that means that peace is assured ; that means that all the elements that conduce to make up the politics of the nation will be fully employed in displaying their energies for all that is good and everlasting. Is this not a consummation which we should all hope for ? It may be that even the contrary may happen. But that is nothing new ; that has happened in the history of every country. I therefore venture to make an appeal to all that in whatever they may say or in whatever they may write no expression, no unguarded utterance, may be made which is likely to rake up sores which it is everybody's endeavour, from the Viceroy down to the meanest citizen, to heal. Let us all therefore forget what has happened in the past and remember what has happened within the last one or two weeks and look forward to something great that may be achieved in the future.

THE HONOURABLE RAI BAHADUR PROMODE CHANDRA DUTTA (Assam : Non-Muhammadan) : Sir, I do not wish to take up the time of this House by repeating what has been said about the proposals of the Round Table Conference, nor do I wish to refer to the criticisms which have been made regarding them. There cannot be the least doubt that the Round Table Conference has done a very great service to the country. In the first place, it has dispersed the cloud of mistrust and suspicion that was hanging between England and India. I am sure that Britain and India now understand each other better and that is a supreme fact in the evolution of the destinies of India. The second thing it has done is to bring the Congress into the Round Table Conference. This truce between the Congress and the Government would not have been possible but for the labours of the Round Table Conference and the achievements that are to their credit. Thirdly, Sir, it is the Round Table Conference which has obtained, or extorted from the British Government the recognition that India is fit for self-government. We could not say that six months ago and even now there are die-hards who do not believe that India is fit for self-government.

[Rai Bahadur Promode Chandra Dutta.]

As I have said, Sir, I am not going to say anything about the proposals of the Round Table Conference. But there is just one point about which I wish to say a word. That point, I submit, is of vital importance to the provinces. That question is the question of provincial boundaries. I have read the proceedings of the Sub-Committee on Provincial Constitution but it does not seem that they have gone into this matter. I think probably the Honourable Sir C. P. Ramaswami Ayyar will be able to enlighten us on this point. I want to know why it was not done. The Simon Commission have laid great stress on this question. They have said that the provincial areas were never planned with a view to their suitability as units in a federated India as a whole. They specially stress the fact that before the reforms are brought into force, provincial areas should be so adjusted as to be proper and fit for self-government. I am coming from the province of Assam and I ask the indulgence of the House for a few minutes to tell my story. The province consists of over 70,000 square miles of territory, out of which 50,000 are occupied by hills and the hill people number about 10 lakhs. The rest of the province consists only of 8 districts with a population of 65 lakhs. And out of this 65 lakhs, fully 10 lakhs are, I think, coolies in tea gardens drawn from all parts of India, so that we are left with 8 districts with a population of 55 lakhs; and our revenue is only 2 crores and 52 lakhs; that is the actuals for the year 1929-30. Now, the proposal of the Government of India is to separate the hills from the province of Assam and constitute the rest of the area as a separate province. For these hills we have been paying every year about 8 lakhs and for certain other purposes also we are making contributions. Now these hills are being taken away from the province and we have been left with 8 districts. The Government of India have come to the conclusion that readjustments of territories, except Sind and Orissa, must stand over and be taken up by the new administrations. In opposing the Resolution of the Honourable Mr. Hussain Imam, the Leader of the House the other day reiterated the same. I submit, Sir, that this is very wrong. The Government of India will be committing a great blunder if they do so. They are probably frightened by the magnitude of the task. They probably think that there are difficulties in the way and that there is delay involved, but I submit that no question of difficulties or delay ought to deter them from going into that question. It is doubtful whether certain provinces, for instance, Assam, can stand on their own legs as they are. I cannot think of a province of 8 districts with a revenue of 2 crores 52 lakhs being able to maintain an autonomous constitution based on a democratic principle. Democracy is always expensive and the introduction of the new constitution will add to the expense of administering Assam. Where is this money to come from? Then there are demands for the transfer of certain districts to Bengal. There are some who have gone so far as to say that the whole province should be transferred to Bengal. I submit that all these questions—the question of separation of the hills, the question of the transfer of certain districts and the question about the transfer of the whole of Assam to Bengal ought to be considered by the coming Conference. These questions were not taken up in the Sub-Committee on Provincial Constitution probably because Assam's representation was inadequate. I hope that in the coming Conference Assam will be more adequately represented so that all questions affecting her might be brought up and discussed.

THE HONOURABLE MAJOR NAWAB SIR MAHOMED AKBAR KHAN (North-West Frontier Province: Nominated Non-Official): Sir, I do not agree with those friends of mine who want to belittle the work done by our

delegates at the Round Table Conference. At the time when the delegates from India went to England we were all very doubtful as to the results to be achieved. These members came in contact with English statesmen and cleared the atmosphere. It is pleasing to see that three members of the Round Table Conference were responsible for bringing together Mahatma Gandhi and His Excellency the Viceroy. The whole of India is deeply grateful not only to these three gentlemen but also to the inexhaustible and indefatigable efforts of His Excellency Lord Irwin in bringing round Mahatma Gandhi to his viewpoint. I therefore think, Sir, that we cannot say that the members of the Round Table Conference spent their time in dinners and other enjoyments. Personally I think that they did some solid and good work.

I wish to take this opportunity of saying something about my own community and more about my own province. As regards the Muhammadan community, we will be quite willing to work with the major community amicably and peacefully and are willing to see the advance of India. But at the same time we do want some very very effective guarantee that our rights are not interfered with, because we Muhammadans are only one-third of the total population of India, the majority being Hindus. We do want some very effective guarantee not only from the Hindu community but from the Government as well that in future there will be no more interference with our religion, there will be no more interference with our rights, with our customs and particularly with the Muhammadan Law. As an instance, I might cite, Sir, the recent enactment—I refer to the Sarda Act—which was passed in the teeth of Muslim opposition, passed in spite of the fact that we Muhammadans tried our level best to convince the Legislature that it was not acceptable to us. I may say that the Pathans of the North-West Frontier Province will ordinarily put up with anything, but if the people in the Central Legislature force something on them which restrains their religious liberties they will not put up with it but will resent it most strongly. I must tell the House plainly that whatever might happen we would not have our religious liberties restrained by anybody. We want a definite guarantee about that.

The second thing that I wish to say something about is this : The Pathans are all landowners ; no Pathan can call himself a Pathan unless he has got some share in landed property. At present we are under the Central Government, but if we join in the suggested Federation we want that that Federation should give us some guarantee that our present land-owning system—and especially our connection with our tenants—would remain the same as it is to-day. I refer to this because in the Congress Camp there is always some talk about Bolshevism and its ideals. Might I say to the members of the Congress as well as to His Majesty's Government that we want some guarantee about our rights, our status and our connection with our tenants ? It was only the other day, Sir, that it was announced in the papers that the Secretary of the Zamindars' Association of the United Provinces saw Mahatma Gandhi and enquired from him as to what treatment they as landowners could expect from him. Therefore, Sir, the people of the North-West Frontier Province would like to know before coming into the Federation what sort of treatment we are likely to get from the Federal Government ; and if we are given some effective assurances on the two points that I have mentioned, I do not think that the people of the North-West Frontier Province will hesitate to join the Federal Government. As I said, Sir, my province is now under the Central Government who have appointed a Committee to report on the Reforms to be given to us, and until the report of that Committee is out I cannot say anything as to the attitude we will take. But after going through the report

[Major Nawab Sir Mahomed Akbar Khan.]

I will be in a position to say something about the merits or the demerits of the Committee's recommendations.

With these words, Sir, I resume my seat.

THE HONOURABLE SARDAR SHRI JAGANNATH MAHARAJ PANDIT (Bombay : Non-Muhammadan) : Sir, I have to express my gratitude to those who have participated in the Round Table Conference and tried their best to bring about the good results in settling the difficult problems that have confronted India since long.

It is now, I think, with us,—I mean the different communities—to come forward with joined hands for the betterment of the whole nation and try to forget the so-called differences. The Indian intelligentsia in participating in the Round Table Conference did their best, as I have already said ; His Excellency the Viceroy did his best to bring about the present result ; that we all know ; so I hope all the communities would now combine for the national good.

I do record, Sir, my gratitude to His Excellency the Viceroy for the strenuous efforts His Excellency took during the fresh settlement with Mahatma Gandhi. I have simply to request the House, that, at the time when the question of minorities would be considered in the next Round Table Conference, the question of proper representation of the landholding classes should also be taken up and considered favourably. The Bombay Government in their despatch to the Simon Commission have expressed their opinion in giving proper representation to the landholders and I hope this House and the Government of India would also help in giving proper representation to the landholders in the new constitution.

With these words, Sir, I again express my gratitude to His Excellency the Viceroy and the Indian gentlemen and Princes who participated in the Round Table Conference.

THE HONOURABLE KHAN BAHADUR CHAUDRI MUHAMMAD DIN (East Punjab : Muhammadan) : Sir, the Indian delegates to the Round Table Conference wisely selected from all communities by the Government of India sat round the table and stated their claims, hopes, fears and expectations. Sub-Committees were set up, their reports were submitted and the greatest measure of agreement was "noted". The declaration was made by the Prime Minister "that responsibility for the Government of India should be placed upon Legislatures, Central and Provincial, with certain safeguards for meeting the needs of the transitional period." The Conference has been a great success, thanks to the patriotism of the Indian Princes and the valuable lead and help rendered by the British representatives to the Conference. In the words of Begum Shah Nawaz the delegates have returned "with a wealth of confidence and trust". A sense of responsibility has after all been awakened in the minds of those of our countrymen who were deliberately following the courses of resistance, obstruction and destruction. There has been a change of heart and the recent peace agreement is a monument to British and Indian statesmanship. India owes a deep debt of gratitude to Lord Irwin for bringing this welcome result and the Viceroy must be congratulated on his splendid achievement. I am also proud to think that a distinguished civilian, who originally belongs to my province, has contributed so much towards that end, and let me say in justice to the much abused bureaucracy that it is due to the constructive work done by the Indian Civil Service during the last 150 years

that we are now to get an opportunity for self-determination within the British Empire. To destroy is easy, to construct is difficult. And now, Sir, comes the stage of the test, the great test, of our ability to remove obstacles and to bring that unity among the different classes and creeds, which is so essential for the building up of a new constitution. We must admit that our delegates even in that atmosphere of good-will and hospitality failed to find a solution of our communal trouble which is the stumbling block in the constitutional growth of India. Much spade work, however, has already been done by the combined efforts of British representatives and Indian delegates. The ground is now ready. The great Guru has said :

*"Karam dharti sharir jug jo hove so kat
Kaho Nanak dharam sohen daware man mukh sula mauat."*

Guru Nanak says :

"Whatever a man sows, that shall he also reap, and there is no way to escape it in this world. Selfish people have no place in God's house."

The Prime Minister in the final session of the Round Table Conference observed as follows :

"In the opinion of His Majesty's Government it is the duty of the communities to come to an agreement amongst themselves on the points raised by the Minorities Sub-Committee and not settled yet."

Sir, here is the most difficult task for us. If we rise to the occasion and practically prove our fitness for the building up of a constitutional structure, we shall have achieved something by contributing our share to the success of the great world experiment for the establishment of universal peace. But if we fail to settle between ourselves amicably and are unable to put our house in order we shall forfeit all claim to patriotism and nationalism. The settlement must be reasonable, practical and just, and must be fair to all. A little defect might wreck the whole structure. We have a great responsibility. We rise or fall together. In 1925, on my way from London to Torquay, I met a Jewish gentleman. The Jews are a minority community in England. He told me that his community felt as secure in England as the Christians and there was no differentiation or hatred whatever. I believe our friend Mr. Raja felt himself more at home in England than in his own mother country. Let us construct a house in which all members of the family may feel equally secure and comfortable. There are precedents of the safeguards for minorities in countries like Poland, Roumania, Albania and many others. Let us in a brotherly spirit prepare ourselves for the great task that awaits us, so that India may have its fitting place in the British Commonwealth. Let us drive away all thoughts of severing our connection with England. The forces of hatred will then be defeated and the triumph of the forces of union will be assured.

"Only to thine own self be true and it must follow as night the day, thou can'st not then be false to any man."

THE HONOURABLE DIWAN BAHADUR G. NARAYANASWAMI CHETTI (Madras : Non-Muhammadan) : Sir, in rising to make a few observations about the Round Table Conference I must in the first place acknowledge on behalf of the constituency which I have the honour to represent and on my own individual behalf the deepest obligations of the country to the ceaseless exertions of His Excellency the Viceroy in bringing about this Conference. It is hardly necessary for me to go into the history of formation of this Conference. The Report of the Simon Commission indicated a federal form of government and consequently also the establishment of responsibility in the

[Diwan Bahadur G. Narayanaswami Chetti.]

Central Government. I am glad to note that in India's attempt to achieve responsible government the British nation showed great sympathy and the party in power lent its support. The Conference proved in spite of fears and misapprehensions a great success and suggested a course of constitutional progress in framing a constitution suited to the genius of the people of India and that is the federal basis for constitutional progress. If the Indian Princes had not taken a patriotic and genuine interest in the future of India as a whole, it is needless to say that the Federation of India could not have been realised. We owe it to the courage and public spirit of the Indian Princes that they came forward to make a substantial contribution to the cause of constitutional development in India, the value and importance of which can be easily foreseen. I realise and am willing to grant that there are difficulties in the way of a federal structure being raised all at once with such component parts as British Provinces and Indian States. This proposal is to leave each independent in internal affairs to be settled by themselves without one side or the other interfering with one another. To this extent the federation may have its weak side and a strong side as well. But we have to recognise that this is only a basic plan on which the federation should be raised for the moment. Any other method would only be calculated to endanger the prospects of a federation coming into existence. We are sure that having come to know each other, British India and Indian India will be prepared to make the scheme of federation in time to come a greater reality than it may seem at present. I daresay that it is only when we make up our mind to work together in the new scheme, we would be in a position to experience the difficulties that lay in the path. Thereafter we would be naturally in a better position to understand how to overcome them. There are however three essential problems to be solved in order to make the federal form of government a reality: (a) unity among all classes and communities, (b) security and the protection of the minorities, and (c) a clear definition of safeguards. The Depressed Classes must have adequate protection and a separate electorate for themselves. Any constitution which does not provide for these is bound to be a failure. I hope these matters will be fully dealt with in subsequent stages. Before closing I would refer to the marvellous achievement of peace in the country by the untiring efforts of His Excellency Lord Irwin.

THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD (United Provinces Northern : Non-Muhammadan) : Sir, there may be differences of opinion as regards the results arrived at at the Round Table Conference. Some may think that they are quite satisfactory, while others may hold that they are not. In some quarters the fear has been expressed that the recommendations of the Conference go too far, whereas in others the belief has been expressed that they do not go far enough. But there can be no two opinions about the earnestness of purpose with which the task was handled by the delegates, Indians and Britishers alike, which has resulted in bringing out something which must prove a good and useful foundation for future discussions. I, for one, would not call the labours of the Conference a negligible achievement. One achievement of the Round Table Conference which appeals to my mind more than any other is that the forceful advocacy with which India's case was presented at the Conference has helped in educating British public opinion and in winning world opinion in our favour. And this fact will be clearly borne out by a comparison of the debates that took place in the House of Commons after Lord Irwin's announcement of November, 1929 with those held in connection with the Round Table Conference recently. Then, if we

just read the comments that appear in British journals and those of other countries we find that a tremendous change for the better has on the whole taken place in British and world public opinion so far as India is concerned.

Now, Sir, the main recommendations of the Round Table Conference are : a federal constitution, responsibility at the centre, provincial autonomy, establishment of an Indian Sandhurst and Indianisation of the Army, and certain safeguards for the transition period. As regards the principle of responsibility at the centre, provincial autonomy and establishment of an Indian Sandhurst, I think there is practically a unanimity of opinion in the country that these constitute an advance on the present. But grave doubts have been expressed in responsible quarters about the utility of the principle of federation and as to the safeguards that have been considered necessary for the transition period. Sir, to my mind the misgivings entertained in some quarters in regard to the principle of federation are more or less illusory. As my friend the Honourable Rai Bahadur Lala Ram Saran Das said in the course of his speech, when the Indian delegates left for the Round Table Conference nobody thought that the Princes would so readily fall in with the idea of federation of British India with the Indian States. Some read in this a sinister move. They suspect that the Princes or their nominees in the Federal Legislature, not being elected representatives of the peoples of the States, would only mean replacing the official block in another form and, being conservative by nature, would prove a stumbling block in the onward march of India towards its cherished goal. I, personally, do not agree with such gloomy forebodings. I think the Princes have really been actuated by the sincerest of motives in taking this step and have shown their true sense of patriotism for our common mother country. In my opinion the representatives of British India are likely to derive benefit from the practical experience of the Princes or their nominees in matters of actual administration and to some extent in military affairs, while the States may feel the necessity, on the impact of our association with them, of liberalising their own administrations on democratic lines. So each is sure to exercise a healthy influence on the other in the proposed federal constitution. Sir, it is not altogether right to think that the Indian States are conservative and backward in every way as compared with British India. I will not tire the patience of the House by citing figures but will point out that in some respects some of the Indian States are far more advanced than British India. For example, in the matter of percentage of literacy, Travancore, Cochin and Baroda are far more advanced than British India ; and in the matter of general administration Mysore is more economical though not less efficient. So, in my opinion federation of British India and the States should prove beneficial to both and ought not therefore to be looked upon with suspicion or disfavour.

Now I will refer to the communal question. Some of my Honourable friends have emphasised the necessity of the protection of minorities. Sir, I entirely share the view that the interests of minorities should be safeguarded. But my Honourable friend Sir C. P. Ramaswami Ayyar has already made it clear in his speech that the Indian delegates to the Round Table Conference subscribed to the principle of federation in the hope that a satisfactory agreement between the majority and minority communities in India would hereafter be reached, and that should set at rest all doubts that might be lurking in the minds of some of my friends. I am an optimist, Sir, and I have every hope that a satisfactory solution of the communal problem will be reached before long at the forthcoming Round Table Conference.

Then, Sir, I join my friends the Honourable Raja Raghunandan Prasad Singh and Sardar Shri Jagannath Maharaj Pandit in appealing to Government

[Rai Bahadur Lala Jagdish Prasad.]

to safeguard the interests of landholders in the coming constitution. There is a feeling abroad that the landholders were not given an adequate representation in the last Round Table Conference held in London and I hope that they will be given an adequate representation in the forthcoming Conference that is going to be held in India.

Now, Sir, I come to the question of safeguards. It is no doubt true that the proposed reforms, circumscribed by so many safeguards in respect of finance, external relations and defence, etc., give rise to a feeling of suspicion at first sight. But much depends on the spirit in which the safeguards are to be worked ; and if they are worked in actual practice in the spirit of the speech of the Premier made in the House of Commons in this behalf, then I would say that much of the suspicion should be allayed. In the course of his speech, Mr. Ramsay MacDonald said :

"It is meant simply to be latent in the background and we impressed upon the Indians who were here that on no account were they to allow Indian opinion to assume that it was going to be an active power exercised by the Governor General, but that the less it was used, and if it were almost forgotten, the better would Britain be pleased with regard to the success of the working of the constitution."

Then, Sir, further he goes on to say :

"There will be certain reserved subjects for the time being and there must be certain safeguards and most unfortunately in enumeration of safeguards which must be done, the substance of safeguards and activity of clauses enumerated will give them importance which as a matter of working fact, they will never have unless the whole constitution is going to break down."

I think, Sir, the final word has not yet been said on the question of safeguards. They are, so far as I understand, open to further discussion and examination at the next Round Table Conference which is going to be held in India, and it may be hoped that as a result of future discussion an agreement may be reached satisfactory to all. Safeguards are necessary in every constitution. And now that it has been assured by His Excellency the Viceroy that the proposed reservations and safeguards will be in the interests of India, and when the untiring efforts of the two great personages of India and England—Mahatma Gandhi and Lord Irwin—to come to a truce have borne fruit in the shape of a satisfactory settlement being arrived at between the Government and the Congress, there is no reason why all suspicion should not be dispelled and a spirit of good-will should not prevail, and why we should not, as a result of the forthcoming Round Table Conference to be held in India, hope for the evolution of an agreed and workable constitution for India, bringing in its turn an era of peace, progress and prosperity for the country.

THE HONOURABLE SIE SANKARAN NAIR : I beg leave to withdraw the Resolution.

The Resolution was, by leave of the Council, withdrawn.

The Council then adjourned till Eleven of the Clock on Wednesday, the 11th March, 1931.

COUNCIL OF STATE

Wednesday, 11th March, 1931.

The Council met in the Council Chamber of the Council House at Eleven of the Clock, the Honourable the President in the Chair.

QUESTIONS AND ANSWERS.

PROMOTION TO THE 1ST DIVISION OF UNQUALIFIED CLERKS IN THE 2ND DIVISION.

106. THE HONOURABLE MR. SYED ABDUL HAFEEZ : (a) Has Government recently issued any orders regarding the recruitment of the ministerial establishment of the Government of India offices ?

(b) If so, will Government be pleased to lay a copy of the orders on the table of the House ?

(c) Are unqualified clerks eligible for promotion to the Upper Division ? If so, what is the procedure observed for the promotion of such clerks ?

(d) Are unqualified clerks eligible to officiate in the Upper Division at the discretion of the various Departments ?

THE HONOURABLE MR. H. W. EMERSON : (a) Yes.

(b) These are departmental orders and have not been published.

(c) Yes, in a specified number of vacancies reserved for promotion of departmental men.

(d) Yes, provided they are holding permanent appointments in the Second Division and are considered to be fit to officiate by the Departments concerned.

DETERMINATION OF SENIORITY AMONG THE MINISTERIAL ESTABLISHMENT OF THE VARIOUS DEPARTMENTS OF THE GOVERNMENT OF INDIA.

107. THE HONOURABLE MR. SYED ABDUL HAFEEZ : (a) Is the system of seniority amongst the ministerial establishment of the various Departments uniform ? If not, why not ?

(b) How is seniority determined in the Home, Education, Health and Lands, Finance, Legislative, Commerce and Foreign and Political Departments ?

THE HONOURABLE MR. H. W. EMERSON : I am making enquiries and will communicate the result to the Honourable Member in due course.

APPOINTMENT OF MUSLIMS AS CASHIERS IN THE VARIOUS DEPARTMENTS OF THE GOVERNMENT OF INDIA.

108. THE HONOURABLE MR. SYED ABDUL HAFEEZ : (a) What is the number of cashiers in the various Departments of the Government of India ?

(b) How many of them are Hindus and Muslims, respectively ?

(c) How many posts of cashiers fell vacant from 1921 to 1930 ? Was any Muslim appointed to any of the vacancies ?

(d) If there is no Muslim cashier, do Government propose to appoint Muslim cashiers in the future ?

(e) When did the cashier of the Finance Department retire ? Is the present cashier a Hindu ? Was the question of appointing a Muslim as cashier considered at the time ?

THE HONOURABLE MR. H. W. EMERSON : (a) to (c). The information is being collected and will be furnished to the Honourable Member when complete.

(d) There is no restriction on the selection of persons for the post of cashier but the matter is essentially one for the Heads of Departments concerned who are, and must continue to be, free to select the person whom they consider to be best fitted for the post.

(e) The cashier of the Finance Department retired from the 1st January, 1931, and the present cashier is a Hindu. The question of appointing a Muslim as cashier was considered before the retired cashier proceeded on leave in July, 1930.

BOUNTY PAID TO, AND ARTICLES MANUFACTURED BY, THE TATA IRON AND STEEL COMPANY.

109. THE HONOURABLE MR. ABU ABDULLAH SAIYID HUSSAIN IMAM : Will Government be pleased to state :

- (a) What is the total amount of bounty given to the Tata Iron and Steel Company from the year 1917 till now ?
- (b) What articles have been manufactured in the Tata Iron and Steel Company since 1924 and their respective tonnage ?
- (c) On which of the articles mentioned in the reply to part (b) above has protective duty been imposed, and what was the amount of protective duty per ton ?

THE HONOURABLE MR. J. A. WOODHEAD : (a) Rs. 2,08,70,400.

(b) A statement giving the information is laid on the table.

(c) The Honourable Member is referred to the Indian Tariff Act and to the notification by the Government of India in the Commerce Department, No. 260-T. (127), dated the 30th December, 1930, under which the duty on galvanised iron and steel sheets and certain other articles was increased.

The approximate figures of production at the works of the Tata Iron and Steel Company, Limited, Jamshedpur, from the 1st April, 1924, to 31st December, 1930, are as follows :—

Articles.	Production. Tons.
First class rails	860,000
Fish plates	35,000
Light rails	20,000
Sleepers	16,000
Structural Steel	750,000
Plates	170,000
Black sheets	94,000
Galvanised sheets	83,680
Timber	340,000
	Nos.
Agricultural Implements	3,400,000

ARREST OF KUMARI CHAMBELI DEVI.

110. THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD :
(a) Has the attention of Government been drawn to a note appearing in the *Hindustan Times* of the 26th February, 1931, under the caption "Scandalous Delay" ?

(b) Is a young girl named Kumari Chambeli Devi who was arrested more than two months ago still being kept in confinement in the Delhi Jail without her having yet been brought before a court for trial ?

(c) If so, why ?

(d) On what date, and for what offence, and under what section of law was she arrested ?

(e) Has she been informed of the offence for which she was arrested ? If so, on what date ? If not, why not ?

(f) Has she, since her arrest, been produced before a magistrate ? If so, on what date ? If not, why not ?

(g) What action is being contemplated in relation to her in future ?

THE HONOURABLE MR. H. W. EMERSON : (a) Yes.

(b) No.

(c) Does not arise.

(d) to (g). I would refer the Honourable Member to the communiqué issued by the Chief Commissioner of Delhi on the 3rd March, of which a copy is laid on the table.

OFFICE OF THE CHIEF COMMISSIONER, DELHI.

COMMUNIQUE.

Dated Delhi, the 3rd March 1931.

A paragraph appeared in the *Hindustan Times* on the 26th of February in regard to the case of Musammat Chambeli Devi who was described as a young girl in her teens. It was stated that for 2 months and a half this young girl was kept in virtual solitary confinement without even being informed of her offence and without being brought before a magistrate for trial. The facts of the case are as follows.

The woman in question is a widow aged about 25. She has a child of 8 or 9. She was arrested on the 15th of January under section 17 (a) of the Criminal Law Amendment Act, a month and 11 days, not 2½ months before the appearance of the paragraph in question. The charge against her was that she had recited a seditious poem at a meeting held a few days before. On the 17th she was remanded to the judicial lock-up by the order of a magistrate of the 1st class who informed her of the charge against her. On the 20th she was produced before a magistrate and the chalan was put into court. On the 26th she again appeared before a magistrate and the case was adjourned as it was decided to take action against her under section 108, Criminal Procedure Code. Information under section 108 was laid formally before the court on the 6th of February. Notice was served on the 19th and the hearing of the case was fixed for the 2nd of March, when on her refusal to furnish security she was sentenced to months' simple imprisonment.

Up to about the 20th February she was the only female prisoner in the jail.

CONSTRUCTION OF A RAILWAY BETWEEN KASHIPUR AND KALAGARH *viâ*
THAKURDWARA.

111. THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD :
(a) Is there any project of constructing a railway line on the Rohilkund and Kumaon Railway system between Kashipur and Kalagarh *viâ* Thakurdwara ?

(b) If so, how far has the project progressed, and what is the estimated cost ?

(c) Has the survey been made ? When is the construction likely to commence ? And by what time is it expected to be completed ?

THE HONOURABLE MR. J. A. WOODHEAD : (a) Yes.

(b) There has been no progress, as it has not been possible to allot funds. The estimated cost of the project is Rs. 19,19,572.

(c) Yes. Construction will commence when funds can be allotted. No funds have been provided during 1931-32. The line will be ready for opening about two years after commencement of construction.

RESOLUTION *RE* AVOIDANCE OF SHORT TERMS OF IMPRISON-
MENT.

THE HONOURABLE DIWAN BAHADUR G. NARAYANASWAMI CHETTI
(Madras : Non-Muhammadan) : Sir, I move :

"That this Council recommends to the Governor General in Council that steps be taken to prevent altogether imprisonment for terms of less than two months."

In making this recommendation I want the Government to be pleased to consider seriously the question of the best method of tackling an evil which has attained somewhat serious proportions in all the provinces of this country and which is perhaps not peculiar to India. The Indian Jail Committee of 1919-20 took the average for five years ending 1918 and found that the percentage of persons admitted into jails and sub-jails with sentences of 15 days and less to the total admissions into jails, was as high as nearly 35 per cent. In the province from which I come, in spite of the repeated circulars which I know the Government have issued to the magistracy to avoid imprisonments for short periods, and in spite of greater facilities now given for the collection of fines and for not giving effect to the alternative sentence of imprisonment for non-payment of fine, the total number of prisoners admitted into jails and sub-jails for sentences not exceeding one month during the last three years has been :

	Total number of admissions in jails.
1927	7,306 22,059
1928	6,811 21,003
1929	6,957 20,249

It is high time that these short-term sentences are put an end to.

The opinion is held almost universally that short-term sentences of imprisonment are of no effect whatsoever. They are wholly devoid of intimidatory or deterrent effect ; it is evident that they can have no reformatory effect

whatsoever. In the meantime, they are expensive to the State and are not helpful to the individual ; on the other hand, imprisonment for however short a period destroys his self-respect, makes him come in contact with undesirable people in jail and renders him indifferent to further disgrace. It also develops anti-social grudges.

The only ground on which the system of short-term sentence is sometimes justified is that it is very difficult to suggest an alternative punishment which will be equally deterrent. This kind of argument is applicable to all kinds of imprisonment ; and as regards this, I can only say that if we shake ourselves from the thraldom of preconceived ideas, it may be possible for us to discover some methods of treatment other than imprisonment for a short period which will be equally efficient in respect of those cases for which short-term imprisonments are now awarded. I have often felt the inconsistency of some people saying on the one hand that prison has no terrors for the people of this country and on the other hand stating that in this country even one day's imprisonment acts as a deterrent against crime. I would myself suggest the introduction of a system by which men can be let off under orders "convicted and discharged with a warning" or "fined" would meet the requirements in most cases. If an offence is of such a character that it is necessary for a court to inflict the serious punishment of imprisonment, there is no reason why the period should not be for at least two months. In England, imprisonment for less than five days has been statutorily abolished. There is no reason why we in India should not go further and set an example even to England to follow. On the whole, I think that the present system requires to be thoroughly overhauled and that imprisonment as a punishment should be restricted only to serious cases and should not be inflicted for periods of less than two months. There is no meaning in sending a man to jail for 3 or 4 days. By sending such people for short terms it adds to the burden of the tax-payer. I dare say that the Government of India would have issued circulars to Local Governments in this regard, but I want that effective steps should be taken to put a stop to the practice of awarding short-term imprisonment. Honorary Magistrates are the worst offenders in this respect. I should think that for the first time the offender should be let off with a warning or with a small fine, and if he commits the same offence for a second time then he may be given a deterrent sentence. As I said, Sir, it is meaningless to imprison persons for 3 or 4 days. I hope the Government will take all necessary steps to give effect to my Resolution.

I commend this Resolution to the acceptance of the House.

THE HONOURABLE MR. H. W. EMERSON (Home Secretary): Sir, my Honourable friend desires, I think, to draw the attention of Government to the undesirability of short terms of imprisonment, in so far as it is possible to avoid them, but he has worded his Resolution in such absolute terms as to make it impossible for Government, in present circumstances, to accept it as it stands. I understood that he himself admitted that the great difficulty was to find any alternative method of punishment. The Government of India and all Local Governments are in agreement that where a short term of imprisonment can be avoided it should be avoided. Indiscriminate punishments of this kind needlessly fill the jails ; they bring offenders into contact with criminal associations and they often fail to have a deterrent effect. Local Governments are constantly bringing to the notice of magistrates the undesirability of awarding such punishments when there is an alternative course, and in particular, they advocate the wider

[Mr. H. W. Emerson.]

use of the provisions relating to first offenders. At the same time cases occur in which a short term of imprisonment is the appropriate form of punishment, and it is therefore not possible for Government to make such a drastic change in their penal system as to eliminate altogether any sentence of imprisonment which does not exceed two months. I have no doubt that, when arrangements are made for the probation of offenders on the lines which the Honourable Member himself suggested two days ago, it will be easier than at present for the courts to avoid short terms of imprisonment. In the meantime, the ideal which the Honourable Member wishes us to accept must, I am afraid, remain an ideal. We shall certainly draw the attention of Local Governments to what the Honourable Member has said and again ask them to impress upon all courts the desirability of avoiding punishments of this sort, in so far as it is practicable. In fact, I do not think that Local Governments want any urging in this respect. They are themselves fully alive to the importance of the matter, and I know from my own experience that they are continuously bringing it to the notice of the various courts. If the Honourable Member will be satisfied with this assurance, I hope he will be able to see his way to withdraw his Resolution.

THE HONOURABLE DIWAN BAHADUR G. NARAYANASWAMI CHETTI : Sir, there is only one word which I would like to say in reply. There are ways of getting rid of these short terms of imprisonment. If a magistrate fines a man, and he is not able to pay, he might be let off by being given 4 or 5 hours of imprisonment. I have done that as a magistrate myself, giving 12 hours in default of a fine. There is not much difficulty in this. But I am glad the Government of India realise the difficulties in the way of these short-term imprisonments. When the Probation Act is introduced, no doubt there will be some improvement. But I still hope that the Government of India will send round a circular to all Local Governments drawing their attention to this and asking them not to have short sentences imposed.

Sir, I am satisfied with the assurance of the Honourable Mr. Emerson and I do not propose to press my Resolution. I therefore ask the leave of the House to withdraw my Resolution.

The Resolution was, by leave of the Council, withdrawn.

STATEMENT OF BUSINESS.

THE HONOURABLE SIR BROJENDRA MITTER (Leader of the House) : Sir, with your permission, I desire to make a statement regarding the future course of business in the Council. There will be no meeting on the 12th March, as there is no Government business for disposal. On Monday, the 16th, and Wednesday, the 18th March, the Council will discuss non-official Resolutions ballotted for those days. As there is no sufficient official business at the moment before the House, and, as there is no certainty as to when Bills pending before, or to be introduced in, the other House will be laid on the table of the Council of State, it is unfortunately impossible to state at present when the Council will next meet for official business.

I shall make another statement on the subject on or before the 18th March.

**ABSENCE FROM THE COUNCIL OF MEMBERS HAVING QUESTIONS
AND RESOLUTIONS IN THEIR NAME.**

THE HONOURABLE THE PRESIDENT : The abrupt termination of the Council business this morning is due in some degree to two causes to which I think I should refer before I adjourn the House. Out of three Honourable Members having questions in their name on the paper to-day, two were not in their seats—one is even yet not in his seat—when their names were called to ask the questions. The Honourable Member in whose name the first Resolution stands on to-day's list was also not in his seat when his name was called. The result of that is that his Resolution, under Standing Order 60, is deemed to have been withdrawn. This action of Honourable Members, as I have pointed out before in previous Sessions, is not only discourteous but it is very unfair to the Council. It is particularly unfair to the members of the Government who have wasted time preparing answers to questions and who have wasted time preparing their reply to Resolutions. Moreover, in regard to a Resolution it is possible that other Honourable Members have prepared speeches which they proposed to deliver in respect of that Resolution. I sincerely hope that I shall not have to invite the Council's attention to this matter again.

The Council then adjourned till Eleven of the Clock on Monday, the 16th March, 1931.

COUNCIL OF STATE.

Monday, 16th March, 1931.

The Council met in the Council Chamber of the Council House at Eleven of the Clock, the Honourable the President in the Chair.

MEMBERS SWORN :

The Honourable Kumar Nripendra Narayan Sinha (West Bengal : Non-Muhammadan).

The Honourable Mian Ali Baksh Muhammad Hussain (Sind : Muhammadan).

QUESTION AND ANSWER.

SECTION-HOLDERS IN THE GOVERNMENT OF INDIA PRESS, DELHI.

112. THE HONOURABLE MR. G. S. KHAPARDE : (i) Will Government be pleased to state whether vacancies of section-holders in the Government Press, Delhi, are being filled in accordance with the Government orders that appointments of section-holders should be made alternately from assistant section-holders and duly qualified senior compositors ?

(ii) Have the assistant section-holders been officiating as section-holders for more than one year ?

(iii) Have they been working satisfactorily and successfully ?

(iv) Have any of them yet been confirmed in the existing vacancies ?

(v) If not, why ?

(vi) Have they sent memorials to Government regarding their hardships and low pay and poor prospects ?

(vii) Will Government be pleased to state the number of vacancies in the Delhi Press and the number it is proposed to give to assistant section-holders and piece compositors ?

THE HONOURABLE SIR JOSEPH BHOORE : (i) The orders of the Government of India are that vacancies in the grade of section-holders should be filled up alternately from assistant section-holders and senior compositors or operators. This rule may be relaxed only if no competent candidate can be obtained from the class from whom the selection could otherwise have been made under this rule. Government have no reason to suppose that these orders are not being followed in the Government of India Press, Delhi.

(ii), (iii), (iv), (v) and (vii). Government do not propose to call for the information asked for as it relates to matters of administrative details which are left ordinarily to the discretion of the Controller of Printing and Stationery, India.

(vi) Memorials were received in November, 1929, from three assistant section-holders in the Government of India Press, Delhi, regarding their pay.

ELECTION OF A MEMBER TO THE GOVERNING BODY OF THE INDIAN RESEARCH FUND ASSOCIATION.

THE HONOURABLE THE PRESIDENT : In the matter of the election of one Member of the Council of State to serve on the Governing Body of the Indian Research Fund Association there is only one nomination, that of the Honourable Sir Phiroze Sethna. I therefore declare the Honourable Sir Phiroze Sethna duly elected.

DATE FOR THE ELECTION OF THREE MEMBERS TO THE STANDING COMMITTEE ON ROADS.

THE HONOURABLE THE PRESIDENT : For the election of three Members to the Standing Committee on Roads there are six nominations, the Honourable Sardar Bahadur Shivdev Singh Ubcroi, the Honourable Mr. Satyendra Chandra Ghose Moulik, the Honourable Babu Jagadish Chandra Banerjee, the Honourable Khan Bahadur Chaudri Muhammad Din, the Honourable Rai Bahadur Lala Jagdish Prasad and the Honourable Nawab Khwaja Habibullah. The election in that case will take place on the next official day.

ELECTION OF TWO MEMBERS TO THE STANDING COMMITTEE FOR THE COMMERCE DEPARTMENT.

THE HONOURABLE THE PRESIDENT : Two members have been nominated for election to the Standing Committee for the Department of Commerce. There are only two vacancies, and I therefore declare the Honourable Sir Phiroze Sethna and the Honourable Mr. P. H. Browne duly elected to that Committee.

RESOLUTION *RE* APPOINTMENT OF A RETRENCHMENT COM- MITTEE.

THE HONOURABLE MR. ABU ABDULLAH SAIYID HUSSAIN IMAM (Bihar and Orissa : Muhammadan) : Sir, I rise to move the Resolution standing in my name :

"That this House recommends the Governor General in Council to form a committee on the lines of the Geddes Committee in England to effect retrenchment in the Departments of the Government of India."

As is known to the Members of this House, this Resolution was brought before the Budget speech of the Honourable the Finance Minister was delivered. We did not know whether the Government were prepared to form a Retrenchment Committee or not, but now we have a definite proposal from the Government to form a Retrenchment Committee and it would seem that there is no necessity for pressing this Resolution. But my difficulty is that I do not agree either with the terms of reference of the Committee which have been outlined by the Honourable the Finance Minister in paragraph 46 of his speech or with the competency of the personnel. I do not mean to make any reflection on the ability of the other House, but I can quote from the proceedings of the Assembly for one day relevant to this matter. Most of the leaders did not very much appreciate the idea of this Committee. We have the Leader of the European Group coming forward and condemning it ; we have the

Deputy Leader of the Independent Party condemning it, and we have the Leader of the Nationalist Party not being very hopeful of its efforts. In these circumstances it seems that the bait which was thrown out was not taken and they were rather chary of it. But this proposal of the Honourable the Finance Minister has had a different reception in this House. It acted as a red rag to an enraged bull. Some of us were very enraged at not being included in the Retrenchment Committee and there was a regular condemnation of the Government for disregarding the services and work of this House by not including it in the personnel of the Committee. Now I wish to say a few words as to why I oppose the Committee as outlined by the Honourable the Finance Minister. In paragraph 46 of his report he says that

“The primary task of the Retrenchment Committee will be to investigate possibilities of retrenchment in the civil expenditure of the Government.”

Well, that takes out the whole of the Army Budget and other funds quite outside the scope of this Committee. I have tried to analyse the figures of our expenditure and how that affects the total available for examination. I find that out of 135 crores of the total expenditure they will only be able to look into 25·83 crores, that is, 19 per cent. only of the total expenditure. What could the Committee do? In this 19 per cent. you have got items which are irreducible and are non-votable. I do not think the Honourable the Finance Member will authorise the Committee of the Legislature to pass recommendations to reduce the non-voted items. If you take that out, it leaves a very small and poor margin, in which anything can be done. That is no good. The reason why this Committee was disregarded and was not approved by the Assembly was simply because it would be an eye-wash; it would do nothing useful; whereas the Committee that I am suggesting and which I am sure the Government will not approve is on the lines of the Geddes Committee. The Geddes Committee is of historic importance. It was formed in the year 1922. It recommended a reduction totalling about 86 million pounds and most of the recommendations were accepted. The terms of reference to that Committee were :

“To make recommendations to the Chancellor of the Exchequer for effecting forthwith all possible reductions in the National Expenditure on Supply Services, having regard specially to present and prospective position of the revenue. In so far as questions of policy are involved in the expenditure under discussion, these will remain for the exclusive consideration of the Cabinet : but it will be open to the Committee to review the expenditure and to indicate economies which might be effected if particular policies were either adopted, abandoned or modified.”

These are the terms of reference which I wish for this Committee. We should have a right to review the whole expenditure. If it will be an expensive affair, that expense can be recouped very well by the retrenchment, substantial retrenchment, which will result from the Committee. There are a number of lines in which expenses have risen enormously. I will show you only one instance of how our expenses have risen. They have been written in such a way that they have escaped the attention of most of the people. None in the Assembly or the Council of State has attacked this—the expenses on the management of debts. The rupee debts amount to more than the sterling debts. The Indian charges are 7·75 lakhs, whereas in England in the year that is just ending we are going to spend 77 lakhs, on a smaller debt than the rupee debts; and for the future year we are budgeting for 54 lakhs. The special feature of this expense was that in the Budget of the year 1930-31 the figure given by the Honourable the Finance Member was 12·32 lakhs, but the revised estimate showed 77 lakhs. These are the ways

[Mr. Abu Abdullah Saiyid Hussain (Imam.)]

in which our money is squandered. I will show you how Army expenses have risen. I have seen from the Inchcape Committee's Report that our expenses in 1913 amounted to 29·8 crores and I find that the expenditure in England that year was 42½ crores. England's expenses have now risen up to 53½—a rise of 27 per cent.; whereas in India the net expenditure has risen up to 52½ crores—something in the neighbourhood of 80 per cent. These are the ways in which our expenses are rising up. I do not suppose that anything can serve as a better example for us than what the Government of England is doing in its home country. That is the example that should serve for us as well as for the Government of India. They cannot say that the example of the Government of England is not serviceable, because they have got the same Army. The English Army is more expensive and the Indian Army is less expensive, and still our expenses have risen by about 80 per cent., while theirs has only risen by 27 per cent. You keep military expenses altogether out of the scope of the Retrenchment Committee. That will leave nothing for us; and there is special importance attached to this Army question, because in the future constitution among the safeguarded subjects is included the Army. The Indian Federal Parliament will have no say in the matter. That necessitates that the Army expenditure should be brought down to the irreducible minimum, and unless that is done I do not think that nationalist India will consent to give any *carte blanche* to the British Government to spend any amount they like on the Army. There must be a figure above which the Governor General will have to get the sanction of the House. For that purpose you have got to reduce your Army expenses to manageable limits.

The Report of the Inchcape Committee, which was not very well approved by the Government of India and which was not given effect to, has commented on the ability of the people of India to bear more taxes; and it quotes that from the year 1913 the amount of indirect taxation has increased by 49 crores:

“Since 1913-14 new taxation estimated to yield Rs. 49 crores annually has been imposed, and the extent to which it is possible to impose further burdens on the tax-payer is now very limited.”

That was the opinion of the Inchcape Committee in 1922-23; and still we are going to increase the burden further by 15 crores in one year only. There is practically no check on the Government. The Government can spend anything they like, and there is only the shadow and not the substance in this declaration that we have got the control. There are certain aspects of it in which you can overrule all our wishes. You have got the official Benches and then the non-official nominated Members and still further you have got place hunters who do as you like by a small bait. That is how you have got the right to do as you like, but I hope that in the new India this will not remain.

Now, Sir, the other item to which I wish to draw the attention of the House is that this Committee which I propose will have to be divided up into many Sub-Committees. There are so many items of expenses which one Committee cannot possibly look into. There ought to be a Sub-Committee in England to look into our expenses over there—how they are being managed, if there is any possibility of reduction in this—and other items of English expenditure. There should be a Committee which should look into the Railways. The Inchcape Committee has recommended some reductions in the working expenses of the Railways. That too has never been looked into. Our complaint is that the Report of the Retrenchment Committee, even if

formed, is not considered worth the paper on which it is written. It is considered a scrap of paper; the Government of India think like that. Bethmann-Hollweg was no fool when he referred to a scrap of paper. They think that all such reports are scraps of paper fit only for the waste-paper basket and for nothing more. If that is going to be the end, there is no need of having any Retrenchment Committee now. It may be of no service to us now, but in the future Government of India it could be utilised.

With these words, Sir, I move this Resolution.

THE HONOURABLE SIR ARTHUR MCWATTERS (Finance Secretary): Sir, the subject-matter of this Resolution, which is the best method of pursuing inquiries into reduction of Government expenditure, was discussed very fully in this House during the General Budget debate and the House had the benefit of the presence of the Honourable the Finance Member on that occasion, who made the position of Government clear on the subject. In consequence it will not be necessary for me to say more than a few words to-day. I am not proposing to enter into a review, still less a defence, of Government expenditure because what we are concerned with at the moment is solely the best method of proceeding at the present time. I will permit myself only one short digression because the Honourable Member in his speech has mentioned the Inchcape Committee and has stated that Government treated the Committee's Report as a scrap of paper. Well, Sir, memories are short and some of our critics are new to this business. If the Honourable Member had been in this House in 1923, as I was, and in subsequent years, he would have known that that Report was not treated as a scrap of paper. In 1923 I happened to occupy the position of Finance Secretary as I do to-day, and therefore I can speak with some knowledge on the subject. It was one of my duties every month to take up to His Excellency Lord Reading personally a list of the recommendations of the Inchcape Committee in detail which had not been accepted or had not up till then been accepted in full, and I personally every month went through those items with him. And the same procedure was adopted on the Army side. So that I can assure the Honourable Member that a very careful consideration by the highest authority was given to every detail of the recommendations of the Inchcape Committee's Report. Moreover, a full account of every detail of that Report showing which items had been accepted, and where items had not been accepted, why they had not been accepted, was laid on the table of both Houses on more than one occasion, so that every Member of both Houses could acquaint himself fully with what was done on that Report. I may mention that in the first year, 1923-24, the actual retrenchment made on the civil side as a direct result of the Inchcape Committee Report was 7 crores 21 lakhs. On the Army side the Budget for 1922-23 had been 67½ crores and the Inchcape Committee's recommendations was that it should be reduced at once by 10 crores. The actual result in 1923-24 was that the Army expenditure was 1½ crores less than the Inchcape Committee's recommendation. I ask the House whether it can fairly be said that Government treated that Report as a scrap of paper?

It is not necessary for me, Sir, to mention the difficulties which confront Government in a matter of this kind. It is common knowledge that there have been large increases in some cases arising from the revision of terms of service which have been approved by the Standing Finance Committee and the Legislature. I might mention one instance. In the Posts and Telegraph Department the improved terms of service for the subordinate staff have cost 1½ crores a year and that cost is still rising. The improved changes

[Sir Arthur McWatters.]

in other terms of service which have been approved by the Legislature have cost us an increasing sum of about 23 lakhs each year. We have added something like 47 lakhs owing to the adoption of the policy in regard to civil aviation. We have made big grants for agricultural research ; we have made grants to Aligarh and Benares Universities ; we have increased our beneficial expenditure in the North-West Frontier and in other administrative areas. And in spite of all these increases most of which are obviously beneficial, we have this year by a most drastic economy been able to reduce our expenditure by 94 lakhs. I have told the House in my Budget speech that under Civil Works we have cut out all possible items that could be cut out ; we have admitted no new major works ; we have retarded works in progress so far as this could be done with economy ; we have cut down the grant for minor works to the barest minimum ; under Frontier Watch and Ward also we have admitted no new works at all, and we have adopted the same policy with regard to postal buildings ; we have cut down our contingencies and other allowances by 26 lakhs. I think that we have a record which we are in no way ashamed of, but the Honourable the Finance Member's point was this that while we have done all that we thought possible in the way of economy and while a Special Officer has prepared a report dealing in every detail with the growth of expenditure in every Department so as to enable the matter to be examined more easily by a committee or in any other way, we do realise that the time has come when ordinary methods are not sufficient, and it was for this reason that in his Budget speech the Honourable the Finance Member suggested the co-operation of Members of the Legislature. We want their co-operation, we want their moral support, because when you proceed beyond the ordinary methods of economy you will find that your action will probably have to be drastic. You will find people thrown out of employment, you will find services being abandoned to which many people attach great importance. Therefore we want, in the first place, their moral support in going beyond what I may call the ordinary procedure. In the second place, we do not claim to possess a monopoly of wisdom or experience, and we want their advice. And it was for these reasons, for their support and for their help, that we suggested bringing in Members of the Legislature.

Now, Sir, the Honourable the Finance Member speaking in this House the other day made it quite clear that if the committee was to be a committee of the Legislature he intended that this House should take part in it. He made that statement very definitely. If, on the other hand, the general opinion of the Legislature is that that type of committee is not suitable, we are quite prepared to give consideration to any views that may be expressed on the subject. We are not committed to any particular form of committee. All that we want to do is to get on with the business. Since the Honourable the Finance Member spoke in this House there have been informal discussions with a large number of people, and I think the general view—almost the general view—is that probably something in the nature of separate inquiries will be desirable dealing with different subjects. The Honourable Mover of the Resolution, I think, really holds the same view. For instance, we want a slightly different procedure to deal with railways ; we want a separate procedure for posts and telegraphs ; and a suggestion was made the other day by the Honourable Mr. Browne that something might be done in the way of expert enquiry into simplification of the form of our accounts. Again, turning to the military side, it is obvious that many of the most important considerations there are bound up with the constitutional discussions now proceeding. But speaking in the other House the other day the Honourable the Finance

Member said that so far as the business management of the Army is concerned he was quite prepared, and the Commander-in-Chief was quite prepared, to allow it to come under review. Therefore a suggestion has been made that it might be a good thing if a committee representing both Houses were formed to consider, in the first instance, what is the most appropriate method of approaching each of these enquiries, and the Honourable the Finance Member has asked me to-day to invite any Members of this House who would like to help him to meet him to-morrow at 6 o'clock after the Assembly finishes its business in his room in the Council House to discuss this whole question, and in particular the proposal which I have just mentioned. As I say, Sir, we are not in any way committed to any particular form of procedure, and we are only anxious to find out what procedure will be most suitable to the Members of the Legislature. In those circumstances, Sir, if the House wishes to press this Resolution I shall not oppose it. I shall not vote on it. But, in view of what I have said, if the Honourable Mover wishes to withdraw his motion and not press it he would be keeping the question open for further consideration of the best method of procedure. This is merely a suggestion which I wish to make for his consideration.

THE HONOURABLE MR. G. A. NATESAN (Madras : Nominated Non-Official) : Sir, I should like to say that I am not in favour of my Honourable friend Mr. Hussain Imam's motion, but the reason is entirely different, as perhaps he anticipates. I consider, Sir, that on the eve of great constitutional changes which are bound inevitably to take place, and as I expect, and every one from all quarters of the House and elsewhere is expecting that these constitutional changes are bound to be of a great and radical character, I do not think we should appoint any committee to go into this question of retrenchment. We do not know exactly what the constitutional changes will be and how far they will affect the establishments and services not only of the Government of India but also of the various Provincial Governments. More than anything else, at a time when finances are crippled, the best way of retrenching expenditure, if I may say so, is to avoid the appointment of big committees. I am strongly of opinion that a Committee like the Geddes Committee or the Inchcape Committee should be appointed almost immediately after the new constitutional changes. I hope that my Honourable friend will not mistake me if I tell him that he should not even be satisfied with the Retrenchment Committee which the Honourable the Finance Member has promised, even with the luxury of the addition of one or two Members of this House. The Honourable the Finance Member has said more than once in the Assembly and here that in his opinion there is not much scope for retrenchment. Let me tell you in all sincerity that even if the Government of India is inclined to say that there is scope for reduction of expenditure, there is not likely to be any chance of such reduction in the present circumstances, with the Government of India and the Provincial Governments constituted as they are. But as they have told us more than once very clearly that there is no room for retrenchment, I see absolutely no use in this House agreeing to the suggestion made by the Honourable Sir Arthur McWatters and serving on the Retrenchment Committee, if they are going to have one. They will simply be beating about the bush, trying to gather materials as he said. I know from experience not only of committees here but also of committees of Corporations and Senates of which I have some little experience that when a committee is appointed to find out ways and means to effect retrenchment, they take about a year and by the time they make their proposals, fresh developments take place and no good comes out of the committee except that we have to pay a heavy bill towards their expenditure. Sometimes the committee tours different

[Mr. G. A. Natesan.]

parts of the country and that also adds to the expenditure. That is one part of the speech which I intended to deliver.

My Honourable friend Sir Arthur McWatters has said that public memories are very short. I would like to indulge in a little bit of repartee and say that official memories are very often shorter, and they are very convenient too. Sir, to my knowledge, in the history of the Government of India or of the Provincial Governments I do not remember a single occasion when a motion for retrenchment was brought forward or a proposal for the appointment of a committee to consider expenditure was brought forward, when any official either of the Government of India or of any Provincial Government has said that there was room for retrenchment. Let us take this very proposal for the appointment of the Inchcape Committee. There were proposals made to the Government of India for the appointment of a committee to consider the extraordinary rise in expenditure and yet every time we were told that there was no scope for retrenchment. My Honourable friend Sir Arthur McWatters himself has said that as a result of the recommendations of the Inchcape Committee there was a reduction of 10 crores in the Military Budget, and subsequently also there has been a show of a little bit of reduction, and yet before the appointment of the Inchcape Committee it was said very loudly in the Legislative Assembly that there was no scope for retrenchment at all. It was made clear by responsible officials in the Assembly that there was no scope for retrenchment and yet, as soon as the Inchcape Committee was appointed and a reduction was suggested, the Government of India said, "Very good, we have followed that very loyally", and now, the Honourable Sir Arthur McWatters says, "I was myself Finance Secretary then; I went up to Lord Reading and asked what we shall do with these things, and 10 crores of expenditure were reduced". We were told again the year before that there was no scope for retrenchment in the Military Department and yet that Department takes credit for having brought about a reduction of about 1½ crores. In all conscience I do feel convinced that if there is a will there is a way, and it is because, Sir, that Government as at present constituted is for some reason or other not willing to be a party to retrenchment that substantial retrenchments have not taken place.

I will conclude with only one observation, and I am prompted to make it by an extract which I read this morning in the *Statesman* about the steps which Sidky Pasha, the Prime Minister of Egypt, has been able to take with regard to reduction of expenditure. He was President of the Parliamentary Finance Committee for several years and in that capacity he made several suggestions for improvement and for reduction, but nothing could be done. But now that he is the Finance Minister and is in power, and has to stabilize the finances of the State, he has not hesitated to put into effect the proposals which he previously made so unsuccessfully. And what is the result? The first drastic step he has taken will effect an immediate economy of \$250,000 in the annual increases. In addition, he has been able very successfully to reduce by at least 10 per cent. all allowances. I will conclude by only stating that this has been done because he is the Minister of a national Government, whereas the Government of India is not a national Government. That is why we are told that retrenchment cannot be effected satisfactorily.

THE HONOURABLE DIWAN BAHADUR G. NARAYANASWAMI CHETTI (Madras : Non-Muhammadan) : Sir, I would also like to oppose this motion. As I have already said the other day, I do not think that anything will come

out of this Retrenchment Committee. I find that some Members are not for having the Retrenchment Committee proposed by the Honourable the Finance Member. I do not agree with my Honourable friend Mr. Natesan when he says that the appointment of the committee would merely cost a little more to Government. Even it costs a little, if the committee will be of some use, it is all right. I have got great faith in the steps the Finance Member has promised to take in the other House. He has promised to have a conference with provincial Finance Members to see whether they could themselves carry out retrenchments. I would only say that after this Conference has met, the Government should issue a communiqué showing to what extent they were able to retrench. I think that would be welcome to both the Houses. If the Government of India are really anxious to retrench, I am quite satisfied that they can make a great deal of retrenchment. My Honourable friend has said that the Military Department should also retrench and that they can do that without any difficulty. I only appeal to Sir Arthur McWatters to see that retrenchment is made in all the Departments of the Government of India and in the various Provincial Governments. I dare say that the Conference which has been promised will be of more avail than any non-official Committee. I only hope that an interim report will be soon published, so that we may know what is being done. I appeal to the Government of India to be more earnest in this matter and to see that something is done. As I said, I have not much faith in this Retrenchment Committee and I beg to oppose it.

THE HONOURABLE MR. ABU ABDULLAH SAIYID HUSSAIN IMAM : I should like to ask a question of the Honourable Sir Arthur McWatters. Are the Government prepared to submit its proposal to the House for approval, whatever proposals it makes ?

THE HONOURABLE SIR ARTHUR MCWATTERS : I have no authority to make any statement about it. What the Government are doing now is to ask the opinion of the Members of the House. We want them to come round. I want you to come round with other Members of the House and discuss the matter with us. What will happen after that I cannot say. But I think that if the result of the discussion is that it is desirable to appoint a committee from the Members of both Houses, of course the matter will come before the Legislature again.

THE HONOURABLE MR. ABU ABDULLAH SAIYID HUSSAIN IMAM : Sir, I was going to press my Resolution to the vote, but in view of the announcement made by the Honourable Sir Arthur McWatters for whom I have great respect—and especially for his feats of memory by which he can remember lots of old facts and figures quite easily that the Government is willing to take our advice, and what I suggested in my Resolution, and is not bound to any definite form, I will reconsider the question. My aim, as I said in my first speech, was that the enquiry should be split up into separate inquiries so that we may have a co-ordinated policy instead of one committee looking into everything which will be too much for them, because it will simply look into the major things and not into the minor details. If we have got committees working in different departments simultaneously we can have equally good results. The Honourable the Finance Secretary has already said that this proposal is not new to him and that it has been made by other people also and that the Finance Member is willing to consult us. . . .

THE HONOURABLE RAI BAHADUR PROMODE CHANDRA DUTTA (Assam : Non-Muhammadian) : Certainly not on the military expenditure.

THE HONOURABLE MR. ABU ABDULLAH SAIYID HUSSAIN IMAM : Let us have to look into that also.

THE HONOURABLE SIR ARTHUR MCWATTERS : I said the business side of the Army administration. I explained that in other respects constitutional issues are involved.

THE HONOURABLE MR. ABU ABDULLAH SAIYID HUSSAIN IMAM : In view of the statement which meets with my requirements, I wish, with the leave of the House, to withdraw my Resolution.

The Resolution was, by leave of the Council, withdrawn.

RESOLUTION *RE* REFERENCE TO THE LEAGUE OF NATIONS OF
THE QUESTION OF THE PROTECTION OF THE INTERESTS OF
MINORITIES IN INDIA.

THE HONOURABLE MR. SATYENDRA CHANDRA GHOSH MOULIK (West Bengal : Non-Muhammadian) : Sir, I beg to withdraw my Resolution.*

The Council then adjourned till Eleven of the Clock on Wednesday, the 18th March, 1931.

*"This Council recommends the Governor General in Council to refer the question of protecting the interests of minorities in India to the League of Nations for their decision."



COUNCIL OF STATE.

Wednesday, 18th March, 1931.

The Council met in the Council Chamber of the Council House at Eleven of the Clock, the Honourable the President in the Chair.

[QUESTION AND ANSWER.]

TRANSFER OF ACCOUNTANTS AND CLERKS OF THE MILITARY ACCOUNTS DEPARTMENT.

113. THE HONOURABLE RAI BAHADUR PROMODE CHANDRA DUTTA :
1. Will Government be pleased to state how many accountants and clerks are now under orders of transfer from the Military Accountant General's office to the offices of the Controllers of Military Accounts ? Does this transfer entail any consequential transfer—

(i) from the offices of the Controllers of Military Accounts to the Military Accountant General's office ;

(ii) from one Controller's office to another ?

2. Are these transfers effected twice a year ? If so, were any transfers made in October last ?

3. In view of the present financial stringency and the pressing need for economy, do Government contemplate postponing the ensuing and the subsequent transfers until the stringency is over ?

THE HONOURABLE SIR ARTHUR McWATERS : 1. One accountant and nine clerks.

(i) and (ii). The answer is in the affirmative.

2. The reply to both points is in the affirmative.

3. As these transfers are made in the interests of the efficiency of the Military Accountant General's office and the establishment of the Military Accounts Department as a whole, the Government of India do not contemplate postponing them.

RESOLUTION *RE* CONSTITUTION OF A CENTRAL JUTE COMMITTEE.

THE HONOURABLE MR. SYED ABDUL HAFEEZ (East Bengal : Muhammadan) : Sir, I beg to move the Resolution which stands in my name in to-day's agenda. It reads thus :

"That this Council recommends to the Governor General in Council that immediate steps be taken to accept and give effect to the recommendations of the Royal Commission on Agriculture and set up a Central Jute Committee representing the various interests concerned in the proportion of 65 per cent. jute growers, 20 per cent. balers and 15 per cent. jute-millers."

[Mr. Syed Abdul Hafiz.]

It will appear that the Resolution consists of two parts. The first part deals with the establishment of a Central Jute Committee as recommended by the Royal Commission on Agriculture. The second part has reference to the proportion of representations of various jute interests on the Committee.

I shall deal with the first part of the Resolution first.

You are no doubt aware that the Honourable the Finance Member expressed the intention of the Government to establish a Central Jute Committee in his speech introducing the Budget on the 28th February last. In reply to my question on the same subject on the 9th instant the Government virtually accepted the proposal. I have thus been spared the pains of dwelling at length on this part of my Resolution and making a strong case for the acceptance of this House.

Sir, the creation of a Central Jute Committee was long overdue. The announcement by the Honourable the Finance Member in his Budget speech of setting up a Central Committee for Jute has not therefore come a moment too soon. To me it is specially welcome as I have the honour to represent a constituency which comprises 14 districts of Bengal and which alone produces the major portion of the total jute crop of the Bengal, Bihar and Orissa and Assam Provinces. I am also deeply grateful to the Government for the plan of financing the Central Jute Committee, namely, to make a reduction in the present rate of the jute export duty and to legislate for a corresponding amount to be levied as a cess for financing the Jute Committee. The total sum required for this purpose was estimated by the Royal Agricultural Commission at about Rs. 5 lakhs annually and in order to enable the Committee to undertake the useful work from the very outset the Government is prepared to make a proportionate grant at this rate pending the passage of the necessary legislation for the imposition of the cess. This anxiety on the part of the Government to see the Committee established at an early date is most commendable.

I am also told that the scheme has been worked out and that the Government of India stand ready at any time to help it financially, but that the matter is now under consideration between the Government of Bengal and *various jute interests in Calcutta*. I noted with some misgivings the last five words of the preceding sentence. *The various jute interests in Calcutta* do not certainly include the interests of the jute growers. I can assure the Honourable the Finance Member that the jute growers will warmly welcome the establishment of a Central Jute Committee but I doubted whether the *various interests in Calcutta*, which represented the jute mills, the jute balers and the jute brokers, would give any support to the proposal, as their interests clashed with those of the jute growers. The jute merchants have always adopted means, sometimes unfair, to purchase jute at a price which leaves hardly any margin of profit to the jute growers. Their one object has hitherto been to declare as high a dividend as possible, sometimes 500 per cent. to 700 per cent., to their shareholders at the cost of the jute growers. It is the well-organized associations of the jute mills and the jute balers which dictate the price of jute to the poor, helpless and the disorganized growers. Any scheme which has the remotest chance of benefiting the growers and affecting the high dividends of the shareholders of the jute mill is not likely to be welcome to them. I am sorry my misgivings have proved to be too true. My friend Mr. George Morgan who represents the European constituency of Bengal in the Assembly declared his opposition to the Honourable the Finance Member's proposal in the general discussion of the Budget. His voice is the voice of the

European merchants in Clive Street. It is Clive Street which has virtually so long shaped the Government policy with regard to trade, commerce and industries to the detriment of the interests of the children of the soil. In spite of the anxiety of the Government to establish the Central Jute Committee without avoidable delay the scheme is being held up by the *various jute interests in Calcutta*.

Jute has long ceased to be a profitable crop to the cultivators. The economic forces will compel the Bengal ryots to give up sooner or later the cultivation of jute, if this state of things continues without any change for the better. For years together they are selling jute at a heavy loss, and the result is their increasing indebtedness. Already 30 per cent. of their holdings have passed into the hands of the moneylenders and another 30 per cent. in the course of a few years will pass out of their hands.

Jute is at present a monopoly of Bengal but there is no guarantee that it will remain so. Attempts are being made to produce jute in other parts of the world. If those attempts succeed, the monopoly will be broken and the condition of the jute growers will be worse. The danger that an artificial product may be discovered and placed on the market at a price which will enable it to replace jute is also to be faced. The history of indigo is a striking illustration of the position in this direction. The situation is one which demands constant watchfulness. For jute to retain its present position, it is necessary that every effort should be made to improve the quality, outturn and method of manufacture and to maintain the relative cheapness of jute as compared with other fibres. Unless this is done there is an ever present risk that jute will cease to be cultivated and that a blow at the prosperity of Bengal will be struck. It will not only bring disaster to the growers but to the dealers and the manufacturers as well. The establishment of a Central Jute Committee is the one measure which is likely to prevent the impending catastrophe. It is not only in the interests of the jute growers but it is in the interests of the Government which derive annually a revenue of 4 to 5 crores of rupees from the export duty on the raw and manufactured jute, it is in the interests of the jute merchants and manufacturers who have sunk crores and crores in the hundreds of jute mills near about Calcutta, to save the jute industry from ruin. Unless my European friends give up their short-sighted policy and allow this scheme to materialise I shall not be surprised if the fate of the European indigo planters of Bengal will overtake the jute merchants. It was not the synthetic indigo, because synthetic indigo did not come into existence then, but their avarice and their oppression of the ryots which killed the once flourishing indigo industry in Bengal about a hundred years ago. The ruins of the indigo factories scattered all over Bengal are witnesses to the folly of the short-sighted policy of the indigo planters.

Sir, I now come to the second part of my Resolution. Whether the proposed Central Jute Committee will work in the interests of the jute growers or of the traders will depend to a very great extent upon the proportion of representation of the two interests on the Committee. In the Central Cotton Committee of 46 members I find only ten are representatives of the cotton growers although the entire working cost of the Committee comes from the pockets of the growers. Charges have often been laid against the Committee that it has been working in the interests of the traders and not in the interests of the growers. Whether such accusation is true or not, I cannot say, but this much I must say that the very inadequate representation of the cotton growers is unjust and gives them occasion for making a charge like this. I take it that the proposed Central Jute Committee is going to be created if not

[Mr. Syed Abdul Hafeez.]

solely, at least, mainly to help the jute growers, inasmuch as they and they alone are going to bear the entire cost. If that is so, it naturally follows that they must have a controlling voice in the Committee. With that aim in view I have proposed in my Resolution to fix the proportion of growers' representation at 65 per cent. of the total strength of the Committee. I am however prepared to take off 20 per cent. and make room for the representation of the Agricultural Departments of the three Provinces, Heads of Co-operative Departments and other Government officials. But on no account should the proportion of the representation of the merchants and the manufacturers be equal to or greater than that of the jute growers.

With these few words I move my Resolution.

THE HONOURABLE SIR FRANK NOYCE (Education, Health and Lands Secretary): Sir, the Honourable Mover of this Resolution has set me a comparatively easy task. It is not often that a speaker on this side of the House finds himself in the pleasant position of being able to meet a Resolution with the assurance that it has been already acted upon. The Government of India have accepted the recommendations of the Royal Commission on Agriculture in regard to the establishment of a Central Jute Committee. It is due to no indifference or lack of interest on their part that that Committee is not already in existence. The position in this respect has already been clearly explained in the speech of the Honourable the Finance Member in another House, from which the Mover of the Resolution has quoted. I should like to give him still one more quotation. It is from the letter which the Government of India addressed to the three Governments which are interested in this question, the Governments of Bengal, Bihar and Orissa and Assam, at the beginning of this year. This letter begins:

"I am directed to say that the Government of India have decided to undertake legislation forthwith for the creation of a Central Jute Committee."

We are now awaiting the reply to that letter from the Government of Bengal and hope that it will be received in time to permit of the necessary legislation being introduced at the Simla Session of the Legislature. The Honourable Mover of this Resolution may ask why it has taken so long to give effect to the recommendations of the Royal Commission on Agriculture. They were taken up at once by the Government of India. In June, 1929, they addressed Local Governments on the subject. The Honourable Member knows Calcutta far better than I do and he will, I think, understand that owing to the magnitude and variety of the interests involved, it is not an easy matter to establish a Committee of this kind which will be satisfactory to all the interests concerned. There have been lengthy discussions as to the scope and functions of the Committee and also about the method of financing it, even though the Government of India are providing the funds for the latter purpose. There still seems to be some misunderstanding about the exact scope of the Committee, and I cannot but think that it is due to that misunderstanding that the remarks were made in another House to which the Honourable Member has referred. It may be of interest to this House if I explain exactly what the Government of India's proposals under these heads are. Their intention is that the Jute Committee should have exactly the same functions in regard to jute as the Indian Central Cotton Committee has in regard to cotton. It is not intended that it should be given any powers of interference with the organisation of the trade. Such questions as jute grading, jute futures and the like are primarily matters for the trade, and if the Central Jute Committee consider that action

in respect of them is needed in the interests of the jute growers, it will be for them to convince the trade of its desirability. It is, therefore, proposed that the functions of the Committee should be confined to agricultural, technological and economic research, improvement of crop forecasts and statistics, the production, testing and distribution of improved seed, enquiry and recommendations relating to banking and transport facilities and transport routes, and the improvement of marketing. I cannot but think that a Committee which is established with these objects cannot fail to secure the support of all the interests concerned, European and Indian, commercial, manufacturing and cultivating. As regards the method of financing the Committee, it has been decided that the funds for it should be provided by a cess on jute exports only at the rate of one anna per bale on raw jute, 5 annas a ton on sacking and 8 annas a ton on hessians. A cess at this rate, when exports are normal, should produce an income of rather more than 5 lakhs a year. As mentioned in the Honourable the Finance Member's speech, the cess will be approximately set off by a reduction of 5 lakhs in the export duty on raw and manufactured jute. That, I think, Sir, sufficiently answers the first part of the Honourable Member's Resolution.

We now turn to the second part, that which deals with the personnel of the Committee, and here I fear I must part company with him. He has asked for a Committee consisting of 65 per cent. of jute-growers, 20 per cent. of balers and 15 per cent. of millers. The Committee, if it is constituted as suggested by the Government of India, will consist of 22 members only. The Government of India have been anxious to keep the Committee as small as possible, compatibly with the efficient discharge of its functions. On this Committee of 22, there will be ten representatives of the jute growers. One of them will be the Agricultural Expert to the Imperial Council of Agricultural Research, 4 will be representatives of the Agricultural Departments in the three provinces—two from Bengal, one from Bihar and Orissa and one from Assam; four will be direct representatives of the jute growers, two of them again coming from Bengal, one from Bihar and Orissa and one from Assam. There will also be a representative of the co-operative movement who, I think, can be regarded as a representative of the jute growers. That makes up a total of ten. There would be nine representatives of the trade. These will be made up of two representatives of the Bengal Chamber of Commerce, two of the Bengal National Chamber of Commerce, two representatives of the Indian Chamber of Commerce and two representatives of the jute trade, one each for Assam and Bihar and Orissa. There will also be the Director General of Commercial Intelligence and Statistics, who, I think, can, on the whole, be regarded as a representative of commercial interests. The manufacturers will be represented by two representatives of the Jute Mills Association. The Chairman of the Committee is to be Vice-Chairman of the Imperial Council of Agricultural Research. He should, of course, and undoubtedly will be neutral, but if he is regarded as an agricultural representative, the Committee will be made up of 11 representatives of the agricultural interests and 11 of commercial interests. Agricultural and commercial interests will thus be evenly balanced. The Honourable Member, I gather, objects to this on the ground that agricultural interests should be predominant. The prosperity of the jute grower is or should be a matter of the utmost concern to the commercial and trading interests. The jute grower on the other hand cannot prosper unless the commercial and manufacturing interests also prosper. I would submit for the consideration of the Honourable Mover of the Resolution that it is not desirable that any exact proportion should be laid down between the agricultural and commercial interests. The Indian Central Cotton

[Sir Frank Noyce.]

Committee which, in spite of his criticisms, has been a striking example of the success which can attend the establishment of a committee of this character has done far more for the cultivator of cotton than he would perhaps be prepared to agree. The constitution of that committee has expanded considerably since its inception, and that of the Central Jute Committee will doubtless do so likewise. It is for this reason that the Government of India propose to make provision in the proposed legislation for the addition of members to the Committee should it appear that there are other interests not already represented on it which ought to be represented. In conclusion, I must point out to the Honourable Member that the constitution of the Committee, as I have explained it, is at present provisional. The Governments of Bihar and Orissa and of Assam have agreed to it. We have, as I said before, still to get the reply of the Government of Bengal which we have asked to consult the various interests concerned. I may say that we have not asked them to consult the interests in Calcutta alone; we have asked them to consult all the interests concerned. Changes in the personnel and possibly in some other respects may be found necessary as the result of these enquiries, and I can only again refer to the last sentence of the Honourable the Finance Member's speech in which he laid down that it was for the various jute interests concerned to agree to the scheme which the Government of India have worked out, and added that the Government of India will then be willing to go ahead as rapidly as possible.

The position then is, Sir, that I gladly accept the Honourable Member's Resolution, if he is prepared to omit the words "in the proportion of 65 per cent. jute growers, 20 per cent. balers and 15 per cent. jute millers." Government have every intention of establishing a Committee which should be thoroughly representative of all the interests concerned, but they are unable to bind themselves to any definite proportion. I trust that this assurance will be satisfactory to the Honourable Mover of the Resolution and that he will agree to the omission of those words.

THE HONOURABLE MR. P. H. BROWNE (Bengal Chamber of Commerce) : Sir, before the Honourable Mover announces his decision on the cutting out of a part of the Resolution I should like to say a word in defence of Clive Street. As I entered the House I gathered that the Honourable Mover was expressing the opinion that Clive Street was definitely against the appointment of this Committee judging possibly by remarks made in the other House and in this House. The view that Clive Street holds is not against the Committee; but it has thrown out a suggestion that the money which is to be allotted for the cost of this Committee this year might go into the fund to meet the Finance Member's deficit rather than that it should be spent on the Committee this year. What the jute trade wants is more buyers of the finished article, or in any case more buyers of jute, and Clive Street feels that no committee in this world can produce more buyers at the present time. Otherwise, Sir, Clive Street has no special objection against the Committee. I just wanted to make that point clear to the Honourable Mover;

THE HONOURABLE MR. SYED ABDUL HAFEEZ : Sir, in view of what the Honourable Sir Frank Noyce has said, I have not much to say in reply to the debate. As the Government have accepted the proposal for the appointment of a Central Jute Committee and are thinking of bringing legislation in the matter in due course, I am prepared to agree to the suggestion of the Honourable Member for withdrawing the second part of my Resolution.

THE HONOURABLE THE PRESIDENT : I do not know if there is any precedent for the withdrawal of a part of a Resolution. The ordinary procedure would be for some Member of the Council to move an amendment to the Resolution that those words be omitted, but as the Honourable Mover has replied and closed the debate, I think the only way of arriving at a decision, such as Government desires and the Honourable Mover desires, is for me to put the two parts of the Resolution separately. The question I have to put is :

“That the following words stand part of the Resolution :

‘That this Council recommends to the Governor General in Council that immediate steps be taken to accept and give effect to the recommendations of the Royal Commission on Agriculture and set up a Central Jute Committee representing the various interests concerned’.”

The motion was adopted.

THE HONOURABLE THE PRESIDENT : The question is :

“That the following words stand part of the Resolution :

‘in the proportion of 65 per cent. jute-growers, 20 per cent. bailers and 15 per cent. jute-millers’.”

The motion was negatived.

THE HONOURABLE THE PRESIDENT : The question then is :

“That the Resolution, with the omission of those words, be adopted.”

The motion was adopted.

RESOLUTION *RE* PUBLIC BORROWINGS IN INDIA AND ABROAD.

THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD (United Provinces Northern : Non-Muhammadan) : Sir, I beg to move the following Resolution :

“That this Council recommends to the Governor General in Council to appoint a committee of officials and non-officials to inquire into and report upon the policy and programme of public borrowings in India and abroad undertaken by the Government of India, Provincial Governments and the statutory public corporations or trusts authorised to float public loans.”

Sir, let me make it unmistakably clear to the House that my object in bringing forward this Resolution is not to embarrass the authorities. The course of borrowing events in the last few years and a careful study of the question of Government policy and programme regarding capital expenditure and the way in which all schemes are financed, have convinced me that a review by a competent body is not only called for but is clearly desirable in the best interests of the country. I am a new Member, but my Honourable friend Sir Maneckji Dadabhoy has on previous occasions made out a strong case for the appointment of an Enquiry Committee to go into the matter of Government borrowings. On February the 23rd, 1921, he moved a Resolution in this House in the following terms :

“This Council recommends to the Governor General in Council that a Committee consisting of members of this Council or Members of this Council and the Legislative Assembly be appointed with powers to take evidence to explore the possibilities of improvement in the position of the existing Government stocks, and to advise Government on the question of future loans, both for State purposes and for Railway and Irrigation purposes.”

[Rai Bahadur Lala Jagdish Prasad.]

Sir, I take my stand on that Resolution. What was true in 1921 is much truer to-day. The arguments advanced then can be equally forcibly repeated now. The Government appointed local Bombay and Calcutta Committees then to suggest measures for the rehabilitation of Government securities, but they side-tracked the issue of an inquiry into Government borrowings. There is ease in the money market position in all the important financial centres in the world and yet we find that India is placed in such a situation as to give an idea to the onlookers that there is tightness all round. Government stocks are heavily depreciated in the market; Treasury Bills in the hands of the public have multiplied; the Government does not get all its loan requirements even though it is borrowing with both hands and in both countries at high rates of interest; one after another they have heaped up short term liabilities in both the countries; there is export of capital from this country. All this is happening when there is depression in trade and industry, when there are not enough trade bills to go round, when under the stimulus of a high bank rate there should be an import into rather than an export of capital from this country. Now, what are the causes for the existence of this unsatisfactory state of affairs? I attribute it all to a lack of a definite borrowing policy on the part of the Government. All important countries that undertake big schemes of capital expenditure in hand plan out a fixed programme before them for their guidance as was done in India for railway development according to the Mackay Committee in 1908 and again in pursuance of the recommendations of the Acworth Committee in the last decade. The country and its money markets then know where they stand, how much they have to provide for public requirements and how much they will be called upon to convert. A healthy policy of gradual funding operations was begun about the middle of the last decade, no fresh money by means of direct rupee loans was raised from the Indian money market for a number of years, all sterling loans were stopped virtually for a period of five years and Treasury Bills were withdrawn from the hands of the public. The result of all these sound financial measures was that there was ease in the money market, the bank rate never rose above 7 per cent. in the busiest season during the short span from 1925 to 1928, prices of securities began to take an upward trend and the rate of interest on Government borrowings was brought down to 4 per cent. It began seriously to be thought both in England and in India that the policy of foreign borrowings was tabooed once for all, that India could raise enough money for all her requirements from her indigenous resources at a cheaper rate of interest than she could do in London, until we were bewildered by a swing of the pendulum in the opposite direction. Since January, 1928, up to the last month the Government has borrowed more than £54 millions. Is it really in the best interests of the country that we should be borrowing so extensively in the foreign markets at high rates of interest? I do not want to suggest that the Government of India deliberately offer in the London money market more handsome terms than are justified by the money market conditions—although well-informed correspondents both here and in England have made pointed references even to that feature of the situation—but what I do want to make out is that London has for various reasons become a very expensive market for Government borrowings on behalf of India, and therefore in the best interests of this country, in the best interests of the stability of prices of Government stocks here, it is politic that we should eschew that money market to the best of our own resources here in this country. After raising a rupee loan at 5 per cent. in the autumn of 1929 in India, the Government raised the next issue in London early in the year 1930 at 6 per cent. with most

disastrous consequences to the prices of securities and the rates of interest in both the countries. No one who has closely followed the course of events since early last year as to how the Government has been compelled to offer over-generous terms to the investors in these 15 months can view the situation with equanimity.

Then, Sir, look at our maturing obligations in the next few years. In both countries they have heavily accumulated short-term liabilities. In answer to a question the Finance Member stated in the other House the other day that in the next 7 years the Government has to pay no less than 141 crores of rupees in India and £57 millions or nearly 77 crores of rupees in England, in all a huge sum of about 220 crores of rupees, besides fulfilling any programme of railway purchases in England which might come to another Rs. 20 crores or so. That implies that Government has to re-borrow in the next 7 years at the rate of over Rs. 30 crores per annum only for their conversion operations. That, I submit, Sir, is a stupendous task for the Government under circumstances which can by no means be regarded as auspicious. Even the average of post-war re-borrowings in the ten years from 1920 to 1930 works out at the rate of Rs. 12 crores per annum. We have thus a more difficult situation to face in the next 7 years than what we did in the post-war period. That is another important reason why I urge on the Government the desirability of the appointment of a committee that will lay down as to how this unprecedentedly large programme of re-borrowings will be financed in the future, how much of it will be raised in India, what portion in England and whether it would be desirable to have it raised by means of short-term or by means of long-term loans. Now, if I turn the attention of the House to debt charges, an account of which has been given by the Finance Secretary in paragraphs 30 to 35 of his memorandum, we find that they gradually declined from 19.59 crores in 1923-24 to 15.61 crores in 1927-28, as a result of the policy to which I have referred above; but they have again shown a tendency to swell in recent years. The provision for interest charges and sinking fund allotment to be paid out of general revenues in the year 1931-32 has swelled up to Rs. 18.77 crores. If borrowing by the Government is carried on for the productive requirements of its constituents—as from all appearances it actually is—there is absolutely no reason why the tax-payer in India, on whose purse there are ever so many other pressing calls for more beneficial expenditure on nation-building services, should be asked to shoulder an increasing burden of interest charges and sinking fund allotment. While the contribution of Railways to general revenues is likely to diminish in the near future on account of a fall in the railway earnings, the burden of the debt redemption scheme on the general revenues is likely to increase. I fully realize the delicacy of playing with our debt redemption scheme at a critical moment like the present, but absolutely no harm will result if we substantially so modify arrangements as to ensure direct contributions from the borrowing authorities to the general provision for debt redemption. An examination of the convention for the separation of railway finance and the debt redemption scheme has long been overdue. The Finance Member has himself referred to the necessity of such examination in his Budget speeches. We are now paying more from general revenues on account of Railways than we are receiving from the latter for the benefit of the former. In the Finance Member's own words,

"it is, on broad lines, correct to regard the one as balancing the other, and we shall arrive at a truer picture of what the Government draw from the Railways if we realize that, in fact, the Government get no profit but apply practically all that they receive, apart from a refund of their own interest payments, for the amortisation of their capital. When, therefore, the contribution falls below a certain figure, the Government, if they made up their accounts on a profit and loss basis, would actually show a net loss on the year."

[Rai Bahadur Lala Jagdish Prasad.]

This extract from a Budget speech of the Finance Member confirms the general belief shared by the country that the Railways in India are subsidised by the Government. This is not a proper occasion for me to deal with the numerous advantages that Indian Railways enjoy or have enjoyed on account of State patronage and ownership, but I shall only say this much at present, that Railways in other countries share much heavier burdens in various forms. We only request the Government that instead of spoon-feeding our Railways on a system of doles we should at least make them self-supporting in every respect, if we cannot actually convert them like the pre-war Prussian Railways into what the Acworth Committee has so epigrammatically called the milch-cow of the Treasury. They should be asked to bear the full burden of their share not only of the increasing interest and other incidental charges in connection with raising loans but they should also be made to contribute proportionately towards the debt redemption scheme. The present tendency of increasing burdens on the tax-payer under the above two heads should at once be arrested if we are not to hypothecate the general revenues for debt requirements. Besides planning a programme of future borrowing and re-examining the allotments under the debt redemption scheme, a committee of the nature I am suggesting can usefully advise the Government as regards several other steps for the better administration of the Indian public debt. It is doubted in many quarters whether the State properties in India are really worth the amount they are represented to be in the Government books. A glaring instance of this was pointed out by the Incheape Committee in 1923 when they referred to the properties of the Telegraph Department. Then, Sir, all sound business concerns take proper steps for the periodical revaluation of their properties. It is done in New Zealand where State undertakings are carried on on much the same lines as in India. I do not know what attitude my Honourable friend Sir Maneckji Dadabhoy will take up on my motion to-day, but on a previous occasion he has himself advocated the necessity of the periodical valuation of State assets. Then, Sir, the present arrangement of having all kinds of banking and investment functions discharged by the Government of India does not appear to be very satisfactory to me. In all other countries they have some sort of institution that undertakes to finance various kinds of institutions. There is the Credit Foncier in France, the Loan Council in Australia, and Zemiska Banka in Czechoslovakia—all independent institutions that under the supervision and guidance of the State provide funds for their large clientele of various kinds. Here in this country the onus lies on the Government. Why are the Government in this country so fond of centralisation of all financial authority and power in their hands? Here is a direction in which they can very usefully move in the interests of the better financial administration of the country by the creation of an analogous body which may take over the responsibilities of the Central Government and may discharge these functions of financing the Railways, provinces, Indian States, municipal corporations and other bodies in a better way without injuring the interests of the money market in India. In this connection I want to lay special emphasis on the desirability of taking some very strong steps to encourage the growth of capital resources in India under those heads that have shown special signs of development. Why do you rely so much upon Bombay and Calcutta and be at their mercy? Why not encourage the small investor by establishing some body in India on the lines of the National Savings Committee in England? Small savings have made a phenomenal progress in the post-war period all over the world, and their encouragement in this country is in every way beneficial to all parties concerned. I could suggest several

other spheres over which the range of inquiries of the proposed committee could go, for instance, modifications in the arrangements for the investment of sinking fund balances of the Central Government, provinces and major local bodies, creation of facilities for the sale of sterling securities in India, consideration of any claims regarding the re-adjustments of pre-Reform provincial debts and many other allied matters.

In conclusion I reiterate the statement that I made in the earlier part of my speech, that my object in bringing forward this Resolution is not to embarrass the Government at this time. I strongly feel that the appointment of an enquiry committee is overdue. The very announcement regarding the committee, its personnel and the terms of reference will restore confidence in the money market and give a healthy tone to the prices of Indian securities and it will clarify many of the political issues into the morass of which the question of the Indian public debt has now fallen.

Sir, I move.

THE HONOURABLE SIR ARTHUR McWATTERS (Finance Secretary) : Sir, this is the third Resolution proposing the appointment of a committee to which I have had to reply in the course of the last three weeks, and judging from the fact that no other Honourable Member has risen to speak on this Resolution, I think I am justified in saying that at any rate there is no very general enthusiasm in the House for a committee of this kind. At the same time, I must acknowledge that this Resolution is a very different proposition from the Resolution which was debated here the other day. It is an important Resolution and I am not anxious at all to avoid discussion of it. I am not objecting to this Resolution in any way on general grounds. The Honourable Mover's speech, of studied moderation and extreme helpfulness, outlined a number of very important questions connected with Government borrowing and the management of public debt, the treatment of Railways, and so on. Now a number of questions connected with public borrowing have been referred to committees in the past. The Honourable Member himself referred to the two committees which were appointed to deal with the rehabilitation of Government securities about 10 years ago. Then again we had the External Capital Committee which was appointed in 1925 by Sir Basil Blackett. I am objecting, or if that is too strong a word, I am advising the House not to accept the Resolution at the present time solely for practical reasons connected with the present.

In the first place, we are in a time of financial stringency, and I think it is important—and the point was very well made by the Honourable Mr. Natesan on Monday last—to avoid expenditure on committees unless extreme urgency is shown. I think that we are likely to have a plethora of committees during the coming summer in connection with constitutional reforms and I think that the onus at any rate of proving the necessity for a committee is very heavily upon the shoulders of the person who proposes it.

But my second objection is really much more important. We are at a time of real financial difficulty. We are, along with other countries, struggling in the midst of a very severe economic depression, and most of the causes of that depression are causes which the Government of India alone can do very little to avoid or to help. There is a real risk of a committee of this kind having to deal not merely with the isolated technical questions which are raised by the Honourable Member in his Resolution but to probe right into financial policy. It is no good talking about high rates of borrowing and excessive sterling borrowing and large amounts of Treasury Bills, and so on. We have

[Sir Arthur McWatters.]

to view the whole picture and get down to the real causes, and in doing so, it is inevitable that this committee will resolve itself into a critical examination of general financial policy. And there I think the danger lies, because at a time like the present we ought to do nothing, and say nothing, which could in any way injure our credit. I do not think that the mere appointment of this committee will do anything to improve credit. There is a real risk of the committee being made an occasion, as I said, for a critical examination of general financial policy, possibly even for reviving and airing old controversies. I think that this is really the time in which we ought to conserve our resources. I think there is very serious risk, in the appointment of a committee of this kind, of parading all the difficulties of the present position, encouraging people to believe that matters are much worse than they really are just at a time when there is some reason to believe that credit is improving and things are looking better.

That, Sir, is my second objection to appointing this committee at the present time ; and I have a third reason, which is equally strong. The whole constitution is under revision and a very large number of important questions connected with public borrowing will come up almost immediately for consideration in connection with the constitutional discussions. I will just mention a few. There is the big general question of control of borrowing ; there is the very big and difficult question of borrowing in London, how to secure the position which our loans now hold in London as trustee securities, what agency can best be employed to enable India to maintain credit in London. Then, again, there is the whole question of control of the Central Government in India over provincial borrowings, the question of conserving the money market in the interest of all borrowers, whether we are to have an advisory council for the raising of loans by provinces, which was suggested by Sir Walter Layton ; and again dealing with the statutory public bodies which are mentioned in this Resolution, the question will arise as regards the powers now exercised by the Central and Provincial Governments and whether any alteration in their position will be made with the development of provincial self-government. These are just a few of the questions which occur to me which must come up obviously in connection with the constitutional revision, and there is a risk therefore, I think, if we appoint a committee with very wide terms of reference such as has been suggested, of adding a fifth wheel to the coach.

Then again we have now sitting the Central Banking Inquiry Committee. That Committee has very wide terms of reference. It is dealing not only with the general organisation of banking in the country, but with the improvement of the organisation of the money market, which is a very important factor in our public borrowing ; and the various provincial Committees on banking have covered a very wide field. They have dealt with such subjects as the Government's policy in regard to cash certificates and savings banks and have in fact gone into several of the matters which the Honourable Mover refers to in his Resolution.

Therefore, for all these reasons, all of which are connected with the circumstances of the present time, I suggest that it is not a really opportune time to appoint a committee of this kind. And there is a further consideration, for which again I am indebted to the Honourable Mr. Natesan, that at a time when the constitution is being altered it is surely better to leave the appointment of a committee of this kind to the new Government, if it wants it. I think that, as I have said, there are real risks to your credit in appointing a committee which might roam over the whole field of Government borrowing

and I think I have given sound reasons for showing that the committee at the present time would be inopportune and premature. Therefore, Sir, although I must cordially acknowledge the extreme ability and moderation with which the case has been presented, I hope the Council will agree with me that it is not a suitable time for appointing such a committee.

THE HONOURABLE MR. ABU ABDULLAH SAIYID HUSSAIN IMAM (Bihar and Orissa : Muhammadan): Sir, I wish to support the Resolution of Lala Jagdish Prasad. Sir Arthur McWatters has quoted Mr. Natesan and said he was averse to forming committees. The speech he made on Monday last was unique in this respect, that in part of it he condemned the committee and in part of it he approved of it. He stated that whenever Retrenchment Committees are being formed the Government always state that there is no ground for retrenchment, but the Inchcape Committee in its Report pointed out that 19 crores could be saved. That was the point, I think, he urged in favour of a committee, and the other point that he urged against this committee was the one referred to by the Honourable Sir Arthur McWatters, and if he can take his ground on Mr. Natesan's dictums then I also would like to take my ground on the same dictums.

12 NOON.

As regards this Resolution, whether it is advisable to have a committee now or not, I must say that I have always been rather averse to bowing down to the financial gods and the money barons. As was pointed out in a debate in London during last month by Mr. Lloyd George, the money barons who have been dictating terms for loans are making the Government run at a loss. Mr. Lloyd George pointed out that the advice of the money barons has caused the rate of interest to rise—I think he said it rose by 12 per cent. Naturally these people are more interested in getting higher rates of interest than in getting lower rates of interest. Well, that brings us to the question whether the present policy of the Government is correct or not. The only point that was urged in regard to this Resolution was that a committee should look into the borrowing programmes of Government and control the policy of Government. The programmes are made much earlier, as was pointed out in reply to a question in the Assembly. It was stated that about 218 crores will be required in the next 7 years to meet our liabilities for repayment of loans. You know that you have got to pay, and how far you will be able to divide the amount between England and India is the real point which ought to be looked into. It is said that everything should be postponed till the Round Table Conference finishes its labours. We have seen how this Conference has worked. We do not know how long they will take again, and when their report will be ready and given effect to. That may take, say, two years or three years. Is it correct policy, I ask, to allow everything to drift till that time? It remains to be seen whether the recommendations of the Round Table Conference will be acceptable to Nationalist India or not. It might be that there may be some hitch and the whole thing may hang fire for a longer period; or it might be that their recommendations would be acceptable and given effect to soon. But from the speeches of Mr. Gandhi I find that although there has been a "truce" there is no "peace" yet.

As regards the point that the appointment of such a committee as has been proposed in the Resolution will cause nervousness in the money markets, I should like to say that this committee is not on the lines of the Congress Committee that was suggested to find out whether the money borrowed by the Government is a justifiable liability on India or not. The proposed committee is only to advise the Government of India on their programmes. It will not go into the question whether any borrowing has been correct or incorrect, whether it was for the good of India or not; these things are outside the scope

[Mr. Abu Abdullah Saiyid Hussain Imam.]

of the Resolution. I do not think any harm will be done to the money market by accepting the suggestion contained in the Resolution. As was pointed out by Rai Bahadur Jagdish Prasad, the issue of short-term loans and the raising of bank rates have adversely affected the money markets of India. It is a fact, Sir,—and it cannot be gainsaid—that the policy of the Government to deflate currency has contributed very much to the raising of the interest. When there is no new currency available it is always difficult to get money at cheap rates; and that this has been done to keep up the exchange policy and the internal position of the money markets is also evident from what has been said in this House. I shall paraphrase, Sir, a recent statement made in the Assembly that the bank rate of India is regulated by the position of the money markets and exchange position. Whereas in India we have the bank rate at 7 per cent. the bank rate of France and the United States of America is only 2 per cent. This clearly shows that there is some defect—we do not know where the defect lies, whether there is any inherent defect or whether the defect has been brought about by the policy of Government. These are matters which can be looked into by the committee. If the Government is afraid of bringing the whole case into the light and wishes to shut the door, the blame will lie with them. This is all I have got to say.

THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD: Sir, I had thought that my innocent Resolution would not meet with opposition at the hands of Government, but I am surprised to see that the Government have thought fit to oppose it. My object in bringing forward this Resolution is mainly to restore confidence in the money market. I believe that as the Government do not find money to finance their borrowings in India they have to go to England to finance their loans, and this shows that there is something wrong with the money market conditions *vis-à-vis* the borrowing policy and programme of the Government. It is I think necessary to restore confidence in the minds of the general public so that the Government may be able to raise loans in India successfully. I think that if a committee goes into the question of the programme and policy of public borrowings in India and abroad, it will certainly be able to help the improvement of India's credit rather than adversely affect it as apprehended by the Finance Secretary. Another reason for which the Honourable Sir Arthur McWatters has opposed my Resolution is that the whole constitution is under revision and therefore it is untimely. On the other hand this seems to me the proper time when a committee, such as I have suggested, should go into the whole policy and programme of our borrowings. Then, as my Honourable friend Mr. Hussain Imam said, no one knows how long the Round Table Conference may take to come to a decision and to find a workable solution of the whole constitutional problem. It may take years, and it will not be advisable, I submit, to wait till then. Besides, I have not restricted the personnel of my committee; I have left it entirely to the Government. It can consist of experts, officials and non-officials and others, as the Government like. Sir, I still think that it will be in the best interests of the country and in the best interests of the money market conditions if the Government see their way to accept my Resolution.

THE HONOURABLE THE PRESIDENT: The question is:

"That the following Resolution be adopted:

"That this Council recommends to the Governor General in Council to appoint a committee of officials and non-officials to inquire into and report upon the policy and programme of public borrowings in India and abroad undertaken by the Government of India, Provincial Governments and the statutory public corporations or trusts authorised to float public loans".

I think the "Noes" have it.

THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD : May I demand a poll, Sir ?

THE HONOURABLE THE PRESIDENT : Does the Honourable Member wish to have a division ?

THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD : Yes, Sir.

THE HONOURABLE THE PRESIDENT : I am only desiring to point out to the Honourable Member that the usual practice is, if he desires to have a division, that when I say, "I think the 'Nocs' have it", he should say "Aye", and if he persists in saying that I will take it that he wishes to have a division.

(When the Honourable the President put the question again, the Honourable Rai Bahadur Lala Jagdish Prasad did not say "Aye".)

The motion was negatived.

RESOLUTION *RE* DEDUCTIONS FOR PURPOSES OF INCOME-TAX ASSESSMENT OF LEGAL PRACTITIONERS' FEES AND COURT-FEES INCURRED BY AN ASSESSEE FOR RECOVERY OF RENT OR LOANS.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS (Punjab : Non-Muhammadan) : Sir, I rise to move :

"That this Council recommends the Governor General in Council to take steps to ensure that for the purposes of assessment of income-tax, where an assessee has had recourse to the court for recovery of rent or loans, a reasonable sum on account of legal practitioners' fees and court-fees shall be deducted from the income of the assessee."

Sir, I seek this relief for the tax-payer which is due to him and so urge the Government to be equitable and just in this matter. Sub-clause (vi) of section 9 of the Income-tax Act reads :

"in respect of collection charges, a sum not exceeding the prescribed maximum".

That maximum, Sir, has been laid down in the rules in Correction Slip No. 3, dated the 15th January, 1930, issued in connection with the Income-tax Manual, Volume I, 3rd Edition, and that maximum is put down at 6 per cent. So, Sir, in case my Resolution is accepted by the Government, it does not involve any change in any law. It is purely a matter of rules and rules can be altered and amended by the Government at any time. On page 127 of the Correction Slip to which I have already referred it is said :

"Legal expenses incurred in recovering rents from tenants should be treated as a permissible deduction included in collection charges subject to the following conditions :

- (a) only net legal expenses, that is, expenses after deducting any costs recovered from the opposite party will be deducted.
- (b) The actual expenses incurred in excess of the costs deducted will be allowed in the year in which the decree is passed ; a further allowance for costs proved to be irrecoverable will be given later, if necessary."

[Rai Bahadur Lala Ram Saran Das.]

The important sub-clause, Sir, which changes the whole effect of this section is sub-clause (c) which runs as follows :

“(c) The total allowance for collection charges including legal expenses allowed must of course not exceed the statutory 6 per cent.”

In this connection, Sir, I want to inform the House that in case recourse is had to law for recovery of rental due, in the Punjab the court-fees on amounts below Rs. 500 is $7\frac{1}{2}$ per cent. on one year's rental. In case the amount is between Rs. 500 to Rs. 1,000 $11\frac{1}{4}$ per cent., then on the second thousand $7\frac{1}{4}$ per cent., then on the third thousand 50 per thousand, and so on. This shows, Sir, that in case any person has recourse to law for recovery of rental which may amount to Rs. 600, he has to pay $22\frac{1}{4}$ per cent. as the court-fees because even on Rs. 600 the fee is based on one year's rent which in that case is Rs. 1,200. In case, Sir, an appeal is made to the Divisional Court, another $11\frac{1}{4}$ per cent. or the double of that, in case the amount is Rs. 600, has to be borne by the tax-payer. In case there is a further appeal to the High Court, a similar amount has again to be paid.

This, Sir, only relates to the court-fees. As far as lawyers' fees are concerned, 5 per cent. can be taken as the average fee, and in case we add that to the $11\frac{1}{4}$ per cent., that makes it $16\frac{1}{4}$ per cent., and over and above that, 5 per cent. is the average which the process and other court charges amount to. Thus, the tax-payer in case he has recourse to law courts for the recovery of the rental due pays in the case of the recovery of Rs. 600 something like 96 per cent. of the value in case he has to appeal to the Divisional Court and then to the High Court and then under the Letters Patent. These four appeals cost him 96 per cent. of the amount. So, Sir, my prayer in this Resolution is that in case recovery is made through courts of law, the amount of court-fees and the amount of lawyers' fees and the court expenses ought to be allowed. In case the decree is realised and the legal allowances allowed by the court are also realised, that entry will go on the income side and the question will not arise, but in case one fails to realise the amount through the court or does not realise the full amount, a reasonable amount of his expenses ought to be allowed. My object is to give relief to the tax-payer from assessment of income-tax made under sections 9 and 10 of the Income-tax Act.

Regarding the recovery of amounts of loans through the court there seems to be some confusion. How that confusion is caused I will just explain. On page 131 of the Manual, under section 41, it is said in the second paragraph :

“This instruction will also apply in the assessment of other traders, where loans have been made in connection with the business and in which the loans are of the nature of the business and the loss is a true trading loss.”

It is further on said in the following paragraph :

“The investment of savings or occasional loans made to acquaintances cannot be considered to be loans made in the course of trading.”

In case a commission agent, for instance, approaches one to endorse his draft or to give him a loan and in case that loan is made in furtherance of one's business, although the one who lends the money does not get any concrete return on his income side, and though the return is not direct, being an indirect return, all the same his business increases. In such cases, which, in my opinion, ought to come under the first definition and the explanation which

I have just cited, the rules are not generally rightly interpreted and so legal expenses are not allowed. I simply want equity and justice to be done and as the object underlying my Resolution is a modest one I hope that Government will accept this Resolution. At a time particularly when there is trade depression and the economic condition of the people is very bad I think the Government will not be averse to meeting this legitimate demand.

THE HONOURABLE SIR ARTHUR MCWATTERS (Finance Secretary): Sir, I have listened with great attention to the Honourable Member's speech because I have been anxious to find out exactly where the shoe pinches. Income-tax administration is a very technical matter and it is always of the greatest value when we have expressed to us the views of the people who suffer from it, the views if I may say so of "the toad beneath the harrow". It is not my business to-day to "preach contentment," but rather to see whether I can help. I think that the points of this particular harrow are not very sharp. We have in fact made modifications quite recently in our procedure in regard to these particular matters and I will try and state quite briefly the case as I understand it.

First of all with regard to costs in connection with loans. There is no difficulty really there. In the case of loans which are made in the course of ordinary money lending business the costs are already a permissible deduction for income-tax purposes. In order to satisfy myself absolutely that this was so, I made a special reference to the Commissioner of Income-tax in the Punjab, as that appeared to be the province which was particularly interested at the moment, and he replied as follows:

"In the case of money lending the practice is to allow reasonable expenditure of the kind referred to after the final orders of the court have been passed in the suit. It must be noted however that the courts usually allow costs to the successful party, although such costs do not always cover the expenditure incurred. I see no objection to the difference between the actual expenditure incurred in suits for recovery of loans and the costs awarded being allowed provided it is reasonable."

Therefore, Sir, the Commissioner of Income-tax in the Punjab is, or should be, endeavouring to carry out what is contained in this Resolution so far as concerns loans which form part of ordinary money lending business. I gather however from the Honourable Member's speech that his difficulty arises rather from transactions of a different kind, the type of case I imagine where a person backs a *hundi* and the drawer defaults. He may get a suit awarded against the drawer but he may be unable to proceed to recover his money. Well, the difficulty there is that the legal expenses in a case of that kind have not been incurred in connection with any source of income which is being taxed. It is one of the first principles of income-tax law that nothing shall be allowed as deduction from taxable income except expenditure incurred in the earning of that income. Therefore there is a real difficulty to be considered in the case of this special type of loan to which I think the Honourable Member was referring.

As regards the other case, Sir, the question of the costs incurred in recovering rents, section 9 of the Income-tax Act differs from the corresponding sections 10 and 12 inasmuch as we do not assess for income-tax the actual amount of rents received but the "rental value" of the property. In other words, income-tax is assessed on what is a conventional figure, and as a result a number of the deductions which are allowed under the law are also conventional deductions. For instance, one-sixth is allowed for repairs, and a sum not exceeding a prescribed maximum is allowed for collection charges—this is where the particular point of the Honourable Member's Resolution comes in—

[Sir Arthur McWatters.]

and again the Income-tax Officer at his discretion is allowed to permit a reasonable deduction for vacancies and so on. The question really is whether the prescribed maximum for collection charges, which, as the Honourable Member has stated is 6 per cent., is a suitable maximum or not. There are two things which I think I must say about that. In the first place, courts do as a rule allow costs and the difficulty would not then arise, and also I do not think the Honourable Member usually has to proceed to law to recover all his rents or even a large proportion of them. So that, theoretically at any rate, one would expect a figure of 6 per cent. to be sufficient, and until now we have had no general complaint against it. But I am quite prepared to examine, in the light of what the Honourable Member has said and in the light of any other facts which he would care to place before us, or any one else would care to put before us, whether this figure of 6 per cent. is a suitable figure or not. It is a figure which is prescribed and can therefore be altered without an amendment of the Act. That, Sir, is really all I have to say in reply to the Honourable Member's Resolution. What he asks for is the allowance of a reasonable sum, and to a Resolution worded in those terms I obviously can take no exception, and I undertake to make practical inquiries into the actual administration, to see how far I can meet the Honourable Member's difficulties.

I accept the Resolution.

THE HONOURABLE MAJOR NAWAB SIR MAHOMED AKBAR KHAN (North-West Frontier Province : Nominated Non-Official) : Sir, if one looks at sections 9 and 10 of the Income-tax Act which deal with the assessment of incomes accruing from house property and business one finds the provision of certain allowances permissible in the determination of such income for purposes of assessment. There is an allowance for the repair of property to the extent of one-sixth of its actual value. Again there is a deduction of any amount paid to insure the property against risk of damage or destruction. Six per cent. of the actual value is also allowed by way of collection charges. Similarly with regard to income from business. There is a motive underlying the provision of these allowances and it can be no other but to ensure the income arising from these sources. For instance, if necessary repairs to the house property are not carried out, it is open to being demolished at any moment, in which case it cannot be expected to yield any income. The same thing can well be said about the premium paid to insure it against risk of damage or destruction. A similar explanation holds good about the allowances provided for in respect of business. Now, Sir, it is generally accepted that when a tenant withholds payment of rent due from him, or a debtor evades discharge of the loan advanced to him, the owner of the property or creditor is put to the necessity of effecting recovery of same by means of a civil suit, and to do this he has to engage capable lawyers for the purpose. He is made to incur these expenses simply because the recovery is due from the defaulter, or in other words to ensure collection of the rent or loan which forms part of his income liable to assessment. As there is no other remedy to effect recoveries of such claims except by means of a civil suit, the expenses incurred in the process of such suit can in no wise be called unnecessary or uncalled for. And since these are actuated by mere necessity, it fairly stands to reason that a reasonable deduction for this expenditure should be allowed while determining an assessee's income for the purpose of assessment. A fair allowance of expenses borne in respect of Government fees and that of the legal practitioners' fees is allowed in all kinds of civil suits, and I fail to understand why a suit filed for recovery of rent or loan should be made an exception to the rule.

In England deductions are specifically allowed for the expenses of construction or repair of sea walls or embankments necessary for the protection of land against the encroachment of the sea or of tidal rivers, and I am at a loss to see why similar deductions should not be allowed in respect of fees of the legal practitioners, fees paid in connection with civil suits which are resorted to by the owners of the property or the creditors simply to protect their rental or loans against the encroachment of their tenants or insolvent paupers. As all such suits are resorted to with the sole purpose of protecting one's income liable to assessment, I hope the Income-tax Department will not grudge a reasonable allowance of the expenditure incurred in this behalf while determining the assessee's income for the purpose of assessment. The demand put forward by my Honourable friend Rai Bahadur Lala Ram Saran Das appears to me to be most reasonable and I hope the Government will accede to his request as soon as possible.

THE HONOURABLE DIWAN BAHADUR G. NARAYANASWAMI CHETTI (Madras : Non-Muhammadian) : Sir, I am in entire agreement with my Honourable friend, Lala Ram Saran Das. I am glad that the Government also have accepted the position of examining it further. About vacancy remission for house properties the assessee does not get the full remission. The Income-tax Department only allows a portion of the vacant remission. I suggest that the question may be carefully examined so far as the legal expenses incurred for the recovery of rent and also about vacancy remission. I therefore ask my Honourable friend the Mover to withdraw the Resolution and to ask the Central Government to examine the question a little more carefully not only about the 6 per cent. remission which my friend has suggested for the legal expenses. I fear in certain cases it covers even more than 6 per cent. Six per cent. is not quite sufficient. Therefore the question should be carefully examined before arriving at a decision. I do not think the Resolution as moved will satisfy the requirements. Government should further go into the question of vacancy remission to house properties and I am sure if certain amendments are necessary the Government will make those amendments.

Sir, I am in entire agreement with the spirit of the Resolution moved.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : Sir, my Honourable friend, Sir Arthur McWatters, has, I presume, confined himself to only matters of rent of house property alone. That was the reason, Sir, that I did not specify the term "house property", but I used the general term "rental". I think, Sir, that in the case of renting industrial concerns or factories the deductions for the recovery of rent through courts are to be made on the same footing as is specified under section 10 of the Act, because as far as recovery of rental on factories is concerned, matters are quite different. There of course if the machinery has been damaged beyond the average, then the suits are prolonged and heavy amounts are involved and the cost of litigation is very heavy; and I find that in certain cases Income-tax Officers have made no distinction between the recovery of rental on factories and bungalows or other house property. There I think the inquiry ought to be made into that aspect and explicit orders given to clarify matters. As for the reply of the Honourable Sir Arthur McWatters, it has been very sympathetic and as I think the object of my Resolution has practically been met by the Government, I beg leave to withdraw the Resolution.

The Resolution was, byleave of the Council, withdrawn.

RESOLUTION *RE* INQUIRY INTO THE WORKING OF THE TATA IRON AND STEEL COMPANY.

THE HONOURABLE MR. ABU ABDULLAH SAIYID HUSSAIN IMAM
(Bihar and Orissa : Muhammadan): Sir, I beg to move :

“ That this House recommends the Governor General in Council to form a committee of experts and members of the Central Legislature, to report on the working of the Tata Iron and Steel Company with a view to find out how far protection has stabilised the steel industry.”

Sir, the Resolution that I have just moved will be variously interpreted. Some will aver that it is animosity towards the Tatas that has actuated me to bring in this Resolution ; others will say that opposition to the Government was the mainspring which caused this Resolution to come into being ; still others will see in it a desire to condemn the Railway Board, which by its false promise or wrong prophecy has brought about this trouble. My reply is that none of the foregoing feelings prompted me to bring this Resolution. A desire to see that our monies are not squandered uselessly, that our poor people are not burdened with heavy protective duties needlessly and that our national industry is not allowed to be ruined by mismanagement has prompted me to bring this Resolution. I leave the distribution of the blame to the various parties to this, to the culprits themselves, to divide. The reason why I have brought forward this Resolution is that the Fiscal Commission, which was rather the father of this whole move of the protective theory, have laid down many dictums and I will point out one.

“ The industry must be one which will eventually be able to face world competition without protection.”

That was the necessary condition to granting protection to any industry, and this condition was looked into by the first statutory Tariff Board and replied to as follows :

“ We have no hesitation in answering it in the affirmative. As we have pointed out, India can already produce pig-iron more cheaply than other countries. The process of steel manufacture is admittedly much more difficult, and years must elapse before Indian labour acquires the necessary skill and experience. But India's natural advantages are so great that we believe it will not be long before the initial difficulties are overcome, and steel is produced at a cost low enough to enable it to face outside competition in India without protection.”

That was the opinion of the Tariff Board on the recommendation of the Fiscal Commission. Now, we have got to see how far this statement in paragraph 28 of the Report of the Tariff Board has been met. The difficulty here is that no papers are published either by the Government or by the Tatas giving the progress of work, showing how far they have reduced costs, how far the industry is in a position to meet world competition and how far the recommendations of the Tariff Board have been met. You find here and there gleanings of facts which if a man labours long he may collect. On account of these difficulties it is not easy to prove that the protection has failed. I have tried to substantiate my statement that the condition of the industry is not satisfactory. I know that Mr. Woodhead will reply that there will be an inquiry in the year 1933-34 as was contemplated in the Protection Act and therefore there is no necessity of having any inquiry now. That would have been a very good argument if we had found that the works were proceeding as scheduled. But my difficulty is that I find that they are not proceeding in the way suggested by the Tariff Board. The position is that the Tata Iron and Steel Company

are neither producing the amount of steel that was laid down as the average quantity, nor are their works cost as low as was forecasted by the Board. The reason for this may be that the Railway Board is to be blamed, or the reason may be that Tatas are not working cheaply—I do not know. That is why I want a committee to find out the real cause. The position of Tatas and of the steel industry is not satisfactory. There can be no gainsaying the fact that the position is not quite satisfactory. If this was so you would not have been required to give Rs. 37 per ton more for galvanised iron sheets, you would not have been asked to grant a bounty of Rs. 20 per ton for the rails. There is some cause for this, and the whole basis of the Tariff Board's Report and the Protection Act was the stabilisation of this industry, to make the industry self-supporting.

Now, Sir, I shall try to make out a picture, how far the recommendations of the Tariff Board have been met or not. In paragraph 34 of the report of 1926 there was a recommendation that the old blooming mill should be closed. There is no information available in all the books that I could see whether this recommendation has been accepted or not. They showed that if you kept that open you would be increasing the cost of production by something like Rs. 4 per ton on the production of steel. There is another recommendation in paragraph 40 that there should be a reduction in the number of labourers. They recommended a total reduction of 6,350 men during the period of protection. They base their calculations on Rs. 8 per ton as the price of coal and on that basis they give figures of the average price during the period of protection and also at the end of the time of protection. We have got some figures which show how far their prediction has been right or not. The report that has just been published by the Tariff Board on steel rails lays down that there has been a reduction of 37,19,000 on account of reduction in the price of coal on the whole output of 425,000 tons. That works out at the rate of Rs. 8.75 per ton as further reduction from which the Tariff Board based their report. I will try to compare the cost of a few of the items that I have been able to find out from the Tariff Board's Report and from the published returns of the Tatas. The Tariff Board in Table XI give the average cost for the period of protection. With regard to the structural section, the report says that the average cost should be Rs. 81 on the basis of paragraph 61 of the report of 1926, and the reduction of Rs. 8.75 on account of reduction in the price of coal will reduce it to Rs. 72.25. The actual cost from the report on galvanised sheeting varies for different mills. We find that the lowest works cost is Rs. 92.81 per ton, Rs. 87.06 per ton, and Rs. 76.29 per ton in different kinds of mills. The main item that is rails were expected to be worked at Rs. 71 per ton. If you allow for the reduction on coal it leaves you Rs. 62.25, but the actual lowest cost is Rs. 68.68 and in new mills only. While this is the average cost for the whole period, the estimated cost for 1933-34 is still less. As nearly four years have elapsed it ought to be nearer to the 1934 figure than the average figure. If you look into the 1933-34 figures you will find that the results are very unsatisfactory. Tatas have placed all the blame on the Railway Board for having reduced its orders, whereas the Government's reply is that they cannot comply with the original orders. That was simply a prophecy; a prophecy cannot always prove to be correct. My grievance is that there should be some check over this. I am not at present concerned with the question as to who is to be blamed. If you want to protect this industry you have to make a drastic treatment and not apply a palliative; there should be a curative treatment and not a palliative treatment. The Tatas have reduced their output of steel as stated in paragraph 5 of the Rail report. The whole basis of the protection of steel was that

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its production should increase. Well, they have gone back on that. They say that Government did not take all their requirements with the result that they had to sell it cheaper. There are structural for which there is a strong demand in the market and which the Tatas are not producing sufficiently. Their produce is barely sufficient to supply the needs of even two or three provinces let alone the whole of India. If you are going to give protection, it is really necessary that you should see that the industry is run on economic lines; you should not allow it to be spoon-fed. The spoon-feeding is to be blamed for all the troubles of the Tatas. They know that they will get protection and bounties as long as they are not able to stand on their legs. This surety of being supported in their weakness is the root cause of all the troubles. If the Tatas know that they will get no more protection and that 1933 will see the end of this spoon-feeding, I think they would be more careful. I do not know who is to be blamed—I do not want to blame any one—I no doubt wish to see the industry in a flourishing condition. There is no doubt about the fact that the industry as it now stands is not in the condition in which it should be. If the Government say that it is difficult to form a committee on the lines of my Resolution I am ready to withdraw it if the Government will promise that the Tariff Board will enquire into the matter and give us a true picture of the whole condition of the industry. My only aim is to have a picture of the industry, and that its works should be reviewed. Whenever a branch is running at a loss, we always try to check it and not allow it to drift. The policy of the Government now is to allow the whole of this matter to drift on for some years as the Protection Act has been passed for seven years. I would say that this concern is not working satisfactorily. If you are sure that it is working satisfactorily, I would be the first person to be convinced of this. Make an enquiry and let its report be submitted to the Government. Let us all have a look at it, and if the condition is all right, and if nobody is to be blamed, there is no harm done by having an enquiry made. The Tariff Board have got nothing else to do but to make inquiries into how each industry is working. This is a basic industry, the biggest industry, and I think it requires more than any other to be enquired into.

With these words, Sir, I move the Resolution.

THE HONOURABLE MR. A. HAMID (Burma : General) : Sir, within the last few days, I have received information from a most reliable and trustworthy source that the management of the Tata Iron and Steel Company are at the moment engaged in surveying the possibilities of introducing substantial economies. I am further informed that every endeavour is being made, consistently and methodically, to turn to good account their sad experience of the past few years.

My Honourable friend, the Mover of this Resolution must, I dare say, realise that an administration of the size and magnitude of Tatas must necessarily proceed on its retrenchment policy with appropriate caution. I think the management of Tatas are appreciative of the fact that public opinion is against according them further assistance. They know as well as we do that unless they stand on their own legs the public will demand their heads.

The Resolution of my Honourable friend in the main seeks for information. He can obtain the required information by reading the Report of the Tariff Board on the galvanised iron sheets. Apart from the Report of the Tariff Board he can console himself with the knowledge that, notwithstanding a loss of a crore and a half, due to strikes and other accidents, Tatas' productive

power has not been materially impaired, and that beyond asking protection for a subsidiary product of theirs, they have managed to develop their steel industry proper without asking for further assistance from Government.

In the circumstances I think I am justified in asking my Honourable friend not to press his Resolution further.

Sir, speaking the other day on a somewhat different proposition before the House, I made reference in disparaging terms of a Government servant who had taken up service with Tatas. I am since convinced that my remarks in regard to his personal disposition were neither correct nor well-founded. I therefore take this opportunity of expressing my apology to the gentleman concerned, and I trust that the Honourable Members who heard my remarks and who did not agree with them will appreciate my sentiments and accept my regret for using language which I now consider was greatly exaggerated.

THE HONOURABLE SIR PHIROZE SETHNA (Bombay : Non-Muhammadan) : Sir, to judge from the wording of the Resolution, I was in great doubt as to what exactly was the intention of the Honourable Mover. If Government appointed a committee such as he recommended and if such a committee advised that the condition of the industry was not stabilised as he puts it I wondered if it was the intention of the Honourable Mover to come forward and say that the protection afforded should be increased, or if the committee recommended otherwise and said that the industry had been stabilised, if he would ask Government either to withdraw the protection or to greatly minimise it even before the 7-year period fixed by the Steel Industry (Protection) Act had expired. I am no longer in any doubt as to the Mover's intentions after hearing the speech which he has made. I could not follow him very clearly on account of the distance at which I am sitting. He started by saying that he had brought forward this Resolution, not because of any animosity towards the Tatas, not because of any wrong premises they had made, but because he did not want public money to be squandered, from which I presume that he is himself a large shareholder, and he does not want the Company to be "burdened by mismanagement"—these were his own words. He went on further to say that no papers were published and he only got what he called "gleanings of facts". May I inform the Honourable Member that if he is a shareholder, he gets copies of the speeches made by the Chairman at the annual meeting.

THE HONOURABLE MR. ABU ABDULLAH SAIYID HUSSAIN IMAM : I am not a shareholder, Sir.

THE HONOURABLE SIR PHIROZE SETHNA : I thought so. I am sorry he is not. I wish he were for in that case he would have made his remarks after satisfying himself in the manner the Honourable Mr. Hamid appears to have done, to judge from the speech which the latter gentleman has just made. The Honourable Mover said that he wants the Committee to "determine who is to blame". Therefore, there is no doubt in his mind that somebody is liable to blame, and who could be so liable except those who manage the Tata Iron and Steel Company ? The Honourable Member hails from Bihar. That is the province where the works of the Tata Iron and Steel Company are located and I should have thought that he would have taken the trouble, as the Honourable Mr. Hamid I repeat appears to have done, to find out facts and figures first hand instead of making vague and, may I say, incorrect remarks before this House in the manner he has chosen to do. Sir, I happen to be a Director of the Tata Iron and Steel Company and as such I will of course

[Sir Phiroze Sethna.]

refrain from voting on the Resolution. On the other hand, I am confident that the House would like to have first hand information on the points raised by Mr. Imam in the course of his speech, and therefore I will give a few facts. The Tariff Board after careful investigation decided that steel must be regarded as a basic industry. They therefore recommended protection, and the Legislature voted such protection unanimously. If the Legislature had not given protection at the time, there is no gainsaying that the industry would have gone to the wall long before now. Nearly 14 crores of rupees have been invested in the capital of this company. It is the largest individual industrial concern in India. It employs perhaps the largest number of workmen.

The Honourable Mr. Imam asked why, if Government cannot give them enough orders for rails, the company does not produce other materials. This displays entire ignorance on the part of the Honourable Mover in regard to this particular industry. If the position was bad when the Tariff Board made its recommendation, the steel industry to-day, not only in India but all the world over is in a deplorable condition—in England, on the Continent, as also in America. It may interest the Mover to know that almost all those

works produce only 40 per cent. of their total producing capacity, and why? For two reasons. In the first place, they do not get enough orders; and, in the second place, if they get orders they do not get them at remunerative rates, so that they prefer to work only a small portion of the plant rather than incur greater losses. Again, Sir, all these companies outside India, as my Honourable friend can satisfy himself by studying their reports, are working at a loss. The Tata Iron and Steel Company is the only company which is able to show some profit, thanks to the country and thanks to the Legislature which has given them protection.

THE HONOURABLE MR. SATYENDRA CHANDRA GHOSE MOULIK (West Bengal: Non-Muhammadan): Profits for the debenture holders I think.

THE HONOURABLE SIR PHIROZE SETHNA: I am coming to that. Mr. Imam stated that the Tata Iron and Steel Company is not increasing its production in the manner expected and as laid down in the Tariff Board's Report. Here again I contend he is talking through his hat. The Tata Iron and Steel Company are to-day in a position to produce 45,000 tons of finished material per month. They only produce 35,000 because they cannot sell more and they cannot afford to stock material with no prospect of selling it. When conditions are as I have stated, namely, that the country is giving protection, the Tata Iron and Steel Company is therefore doubly alive to its responsibilities. The Tariff Board of course after due investigation criticised the working of the Company in some directions and amongst other things it said that the cost of production was high and should be reduced. There again my Honourable friend has quoted certain figures the correctness of which I cannot vouch for, as he has only dealt with certain specific items. I will however inform him and the House that the cost of production of the finished material when the Tariff Board investigated in August, 1926 was Rs. 90·1 per ton of steel. The Mover is perfectly right in saying that there has been variation in the price of coal, and, may I add, also in the price of some of the raw materials. Adjusting these differences in prices, as against the cost of Rs. 90·1 per ton in 1926 the cost to-day is Rs. 85·6 per ton. Therefore the cost has been

reduced by Rs. 4-8-0 per ton. I hope that will satisfy my friend that the Tata Iron and Steel Company is not mismanaging but is trying to reduce the cost as far as possible. But, Sir, the cost would be still further reduced if it manufactured the full quantity that it is capable of producing, and if Government were in a position to continue to buy from it the quantity of rails that it was thought it would be able to take up every year. Then again, my Honourable friend has made no mention of the effects of the very disastrous strike which occurred in the year 1928, the like of which industrialists in this country will admit has not occurred before. The Company thought it would be wise to take advantage of the strike and try to retrench. And how did they do it? Not only did they retrench but they have secured greater efficiency. They did it in this way. They suggested to the men that the Company would be prepared to give them better wages provided the men showed greater efficiency. The result is that the Company employs to-day a smaller number of men than it did before the strike, but to these fewer men it pays more money and because they now show greater efficiency the cost on account of wages has been reduced by one rupee per ton. Is that not retrenchment? More than that, is that not efficiency, I ask the Honourable Mover?

I next come to the point that Government do not now buy 200,000 tons of rails per annum from the company. We are not blaming Government, for we know conditions have greatly altered. I may remind the House that the Tariff Board recommended to Government that the Railway Board should buy all the rails for their railways, both State and Company-managed, from Tatas. With that idea they asked the Railway Board what their annual requirements would be. The Railway Board stated that they would be somewhere about 200,000 tons. It was clearly on the assumption that they would require a minimum of 200,000 tons of rails, that the Tariff Board determined the price at Rs. 110 per ton. If the quantity were smaller they would have decided upon a higher figure and one can find that from the Tariff Board Report itself where they say that if the quantity were reduced by 40,000 or 50,000 tons the price should have been more than Rs. 110 per ton. Now, Sir, Government in the year 1930-31 ordered only 90,000 tons; and for the year 1931-32 they have ordered only 80,000. They could not help it, but on the other hand is not the manufacturer in consequence entitled to ask for a reasonable increase in price? That increase in price is now fixed at Rs. 20 per ton. I am sure the Tata Iron and Steel Company would ten times rather that the Railway Board took 200,000 tons of rail at Rs. 110 than 80,000 tons at Rs. 130 per ton. For the matter of that the Tariff Board Report says that if the Company were asked to produce only 100,000 instead of 200,000 tons, then the actual loss on works profit would amount to 39 lakhs. As against this loss of 39 lakhs Government when they buy only 80,000 or 90,000 tons a year will give only 16 to 18 lakhs of rupees more at the higher price now agreed upon.

As to the strike, my friend Mr. Hamid, or it may be the Mover, stated that it cost the Company a crore and a half. That is quite correct. That is the amount of loss on actual cost. But if the loss by way of production as also by way of profits is taken into account, it will be far larger.

In regard to retrenchment, may I inform the House that all the officers, Europeans and Indians, getting salaries of more than Rs. 500 a month, approached the Board some months ago with the suggestion that because times were bad they would be willing to accept a reduction of 10 per cent. in their wages. They did that unsolicited which the management have greatly appreciated and they are being paid at the lower rate since some months past. Not only they but the Directors and Auditors and others are now being paid at lower rates than before.

[Sir Phiroze Sethna.]

We readily acknowledge it is because of protection the Company is making profits. I will now give the House an idea as to the profits the Company has made since protection has been given. Within these 3½ years we have been able to distribute about 65½ lakhs of rupees as profits. The House must bear in mind that the share capital is divided into what are known as ordinary and deferred shares, as also first preference and second preference shares. 65½ lakhs in three years is by no means a large amount when you consider the very large capital of this company. And whom have they paid? They have only been able to pay dividends on the first preference shares in full. To the second preference shareholders they have only paid for one year, namely, the year 1927-28. The ordinary shareholders and the deferred shareholders have not got a rupee and I do not think are likely to get anything for a considerable time to come even if times improve. The Company has been able to set aside in these three years 168 lakhs for depreciation. Now that amount is not as large as the Tariff Board recommended. The Tariff Board recommended at the rate of Rs. 78 lakhs per annum and we have been able to set apart at a rate which works out at Rs. 20 lakhs less a year. That cannot be helped, and it is because the Company has not been able to do better than what it had.

I do not think that my Honourable friend made a charge that the business was top-heavy. I know it is said so by some critics. It is very difficult to be able to give you proper comparisons in regard to this. The only relevant comparison would be to give you the cost of the various services per ton of the finished material. For example, the cost of the non-Indian officers in the year 1925-26 for operation departments only was to 10·67 per ton at the date of the Tariff Board investigation. To-day it is only Rs. 4·99 per ton or a little less than half. The cost of the total establishment, including officers and workmen, again for operation departments only was Rs. 45·26 at the time of the investigation and it is now Rs. 30·98.

There is one other charge which is levelled at the Company, that it is not sufficiently Indianising in the higher appointments. I know that the Honourable Member has not referred to it, but I would like to dwell on it, because so much has been said in public. No firm of employers is more anxious to have Indians in the higher branches of its service than the Tatas, but more than that, the Tata Iron and Steel Company has on its Board of Directors, men who have served and are serving both in the Central Legislature and in the Provincial Councils, who are well known for their constant advocacy of Indianising whenever and wherever they can. But I would ask the House to remember one important fact, and it is this, that you cannot Indianise in the steel industry as you can in, say, the cotton mill industry. Take the case of the Tatas themselves. They have cotton mills at Nagpur, in Bombay and at Ahmedabad. There was a time when they did employ Europeans in the higher appointments in these mills; to-day, so far as I know there is not a single European in any one of their mills at any one of the three places I have named. And why? Because Indians can be had for these positions. How can you possibly get Indians for superior positions in the steel industry when the Tata Iron and Steel Company is the only steel company in India? You can get Indians only by training them up in the Tata Iron and Steel Company, or by employing such Indians who have gone on their own account to learn the work in Europe or in America. Very few Indian parents would incur the expense of thousands of rupees to send their boys to distant countries in the hope that when they returned they may get suitable employment in the solitary Indian steel concern, namely, the Tata Iron and Steel

Company. Therefore the Company has to depend on the young men it trains up. We have some Indians who have been trained in America and I may mention in passing that one of the three highest appointments is held to-day by an Indian who is doing very good work and if he continues to do as well there is no reason why in the course of the next few years he will not rise to the position of General Manager of this all-important concern. I would now like to give the House the actual position in regard to Indianisation. In April, 1927, there were 42 Indians; in October, 1930, there were 57, getting salaries of more than Rs. 500 per mensem. On the other hand, whilst in April, 1927, we had 150 Europeans and Americans, their number is now reduced to 112. Whilst 38 non-Indians have dropped out, their places have been taken up only by 15 Indians, which shows that we are not filling every single position, because we are trying to get greater efficiency from a smaller superior staff and we are also trying to put in more Indians.

I think I have answered all the points that were urged by my Honourable friend. I will not take up more time of the Council, but I will only conclude by saying that there is no necessity whatsoever for a committee: but more than that, this House knows that according to the Act protection is afforded for seven years. Three years more are yet to run from now. The period expires on the 31st March, 1934. If Tatas need further protection, they will have to appeal to Government long before that date in order that Government may institute inquiries whether further protection should be given or refused. I hold that if the position of the industry goes on as it is doing now without much improvement, Tatas will have to ask for continuance of protection and if they do so, they will perhaps approach Government within 18 months from now and Government will therefore have to undertake an inquiry by about the end of 1932. Is there any reason then for asking for an inquiry of the kind that my Honourable friend Mr. Hussain Imam suggests? I do hope he will have the good sense to withdraw the Resolution, following the example of the Honourable Mr. Hamid who after what information he has now received has chosen to withdraw the remarks which he made some days ago about the Tata Iron and Steel Company, when I was not present, when he spoke on the enhanced rate of duty on galvanised sheets.

THE HONOURABLE MR. J. A. WOODHEAD (Commerce Secretary): Sir, the Honourable Mover left me guessing when he opened his speech—I cannot speak for the other Honourable Members of the House—and he left me guessing when he concluded his speech; in fact, Sir, I found it extremely difficult to follow the figures he quoted and I also had difficulty in understanding the arguments he adduced in favour of his Resolution. He commenced his speech by saying that he was not animated by any animosity to the Tata Iron and Steel Company and he did not appear to be certain whether he should make any allegations against the Government and the Railway Board. But as his speech developed, the position appeared to be that the Honourable Mover is not satisfied with the progress which the Tata Iron and Steel Company have made during the last year or two and he desires a committee of enquiry to be appointed to find out why that is so, why they have not during 1928-29 and 1929-30 reached that standard which we would have expected in view of the estimates given in the Report of the Tariff Board of 1926-27. I will come back to that point, Sir, in a minute. Before doing so, I would like to refer to the question of galvanised sheet and to remind the House of the reason why an additional duty has been imposed on that article. This additional duty was not imposed with reference to the cost of production by the Tata Iron and Steel Company of galvanised sheet, but because the

[Mr. J. A. Woodhead.]

Legislature provided in the Act of 1927 for the imposition of a higher duty if the price of the imported article fell to such an extent as to render ineffective the protection intended to be afforded by the duty imposed by the Act. The additional duty was imposed because the situation contemplated by the Legislature had arisen. Again, as regards rails, Sir, I am not certain whether the Honourable Member knows that Government have recognised that the orders given this year are below the figure taken by the Tariff Board as the average orders for rails, and that in September, 1930 the Government announced their decision to pay for rails ordered in 1930-31 Rs. 20 per ton in addition to the price of Rs. 110 per ton fixed in the contract. Honourable Members are perhaps also aware that the Report of the Tariff Board on this question of the price to be paid for rails in future years has recently been published and that a Resolution has been tabled in another place by the Honourable the Commerce Member recommending that during the year 1931-32 an additional payment at the rate of Rs. 20 per ton should be made to the Tata Iron and Steel Company for rails ordered during that year.

The Honourable Mover's object, as I said, Sir, appears to be to obtain information as regards the working of the protection scheme. But, Sir, information of this nature is available to a considerable extent in the Report of the Tariff Board which was issued not long ago as regards galvanised sheets. The Tariff Board in paragraphs 14 to 24 of that Report examined the general working of the protective scheme and the prospects of the Steel Company in the future, and I should like to refer to one or two main points in those paragraphs, because I think that they do afford the information which the Honourable Mover wishes to obtain. In paragraph 16 they refer to the disastrous results of the labour strike and remark as follows :

"But it was in the realm of finance that the most serious effects of the strike became apparent. Surplus before depreciation for 1928-29 fell short of the previous year's figure by over a crore of rupees and it has not been possible to set aside the full annual depreciation of Rs. 78 lakhs contemplated by the Tariff Board."

Then, in paragraphs 18 and 19 they deal with another reason, and that is—I have already referred to it—the decrease in the orders for rails. They drew attention to the fact that when the Tariff Board's scheme of protection in 1926-27 was prepared, it was estimated that approximately 200,000 tons of rails would be ordered, whereas in the year 1930-31 orders for only about 90,000 tons of rails are likely to be placed and that a further decline on orders in the future is not unlikely. That is what the Board said as regards production, Sir, but I should like to draw attention to one other point in that connection and it is this : I refer to the figures given in the table on page 11 of their Report. If from the total production figures given in that table you deduct the production of heavy rails, fish-plates and sleepers—the production on those three heads depends upon the amount of orders received from Railways in India and is not within the control of the Steel Company—you find that the production of finished steel in 1929-30 was higher than in 1927-28, the year in which very considerable progress was made. In 1927-28 the production of finished steel excluding railway materials was 243,27 tons, but in 1929-30 it had risen to 264,000 tons; and if we take the six months' figures from April to September, 1930, they indicate that if the second half year is no worse than the first half year, the production of finished steel excluding railway materials will be in the region of 300,000 tons. The Tariff Board's estimate of the average production of steel excluding railway material for the whole period of protection was 283,000 tons. Looking at these figures

therefore it appears probable that the production of finished steel, excluding railway materials, will in the year 1930-31, provided that the second half year is as good as the first half, exceed by a considerable amount the figure of the average production taken by the Tariff Board in their Report. I might add that the figure of 300,000 tons is about 50,000 tons below the figure taken by the Board for the maximum production in 1933-34, at the close of the present period of protection.

The next paragraphs to which I would invite attention are paragraphs 21 and 22 wherein the Tariff Board have dealt with the question of costs. In 1927-28 very great progress had been made towards reducing costs. 1928-29 was of course affected by a strike. The production by the Company of steel decreased enormously in that year and the costs naturally rose. The strike was called off towards the end of 1928, but in the year 1929-30 costs did not fall so low as they were in 1927-28. On that point the Tariff Board said that the failure to attain in 1929-30 the level of efficiency reached in 1927-28 was largely due to the "disorganisation of labour following the strike, the need of special repairs as for example to the coke ovens as a result of the strike and similar causes".

Finally, Sir, I would again draw, as I did on a previous occasion, the attention of the House to the final conclusion of the Tariff Board in paragraph 24 of their Report. Their conclusion was this :

"The Tata Iron and Steel Company have made genuine efforts to secure the results which the Tariff Board considered feasible. Lack of progress is due to two causes, for neither of which can the Company be held responsible. The first is the labour strike of 1928, which, by adversely affecting the financial position, has seriously retarded the development programme, on which the future reduction in the cost of manufacture was so largely dependent. The second is the reduction in orders for steel rails."

In the paragraphs of the Report to which I have referred a considerable amount of information which the Honourable Mover of the Resolution wishes to obtain by means of the committee he proposes, is available to him and to the Members of this House, and if the Board's conclusions in those paragraphs are correct, Sir, they hardly support the need for a special inquiry at the present day.

In this connection I would remind the House that according to the Act of 1927 there must be a statutory enquiry before the end of the year 1933-34. The natural date for holding that inquiry is some time in 1933, shortly before the period of protection granted by the Act of 1927 expires, because that inquiry has to be directed to determining whether protection should be continued to the steel industry in India. I think it is obvious, Sir, that the answer to that question can better be given if the inquiry is conducted towards the end of the period for which protection has been given and not three years before that period expires. What I would urge therefore is that the onus of a special inquiry to be held in 1931 lies very heavily on those who support it.

The Honourable Mover referred to one question as regards labour. He said he wanted information on that point. That information, again, is available in the Tariff Board's Report to which I have referred. From the figures given in paragraph 22 of their Report, the number of men employed in 1925-26 was 26,290 and the number employed in 1929-30 was 22,853—a considerable reduction. (*The Honourable Mr. Abu Abdullah Saïyid Hussain Imam* : "But the expenditure is more".) Yes, the expenditure is certainly more.

THE HONOURABLE MR. ABU ABDULLAH SAIYID HUSSAIN IMAM : The Tariff Board recommended a reduction of 16·6 lakhs in the cost of labour, but we find that the cost has actually risen.

THE HONOURABLE MR. J. A. WOODHEAD : I can offer no opinion as regards the rates of wages paid to this staff. I believe however that it is not a highly paid staff and perhaps the Honourable Member does not wish to suggest that the average labourer in the Tata Iron and Steel Company is over-paid.

Now, I hope, Sir, Honourable Members will agree with me that it is undesirable that a large industry of this kind should be subject to enquiries at frequent intervals. There was an enquiry in 1926, a complete enquiry, into the steel industry and there must be another full inquiry before the 31st March, 1934. And I would suggest that it would be inadvisable to subject the industry to another inquiry before that date unless strong grounds for that course of action can be adduced. What I would urge is that the Honourable Mover has not established his case for a special enquiry at the present time. Protection has been given by the Legislature for a certain period of years ; this period expires in 1934. The steel industry is now growing ; it may not have grown as quickly as we would have liked during 1928-29 and 1929-30 but is it advisable to pluck it up by its roots during the period of 7 years for which protection has been given in order to see how it is getting on ? That looks to me to be a procedure fraught with some amount of danger.

At the same time, Sir, I trust the House will not from my remarks to-day be under any misapprehension as regards Government's attitude towards a reduction in the level of costs of production by the Tata Iron and Steel Company. 1927-28 was a year of very considerable progress. 1928-29 was a disastrous year as a result of the strike. In 1929-30 although production was rather larger than in 1927-28, costs were at the same time high, and the position of the industry in 1929-30 was not so favourable as it was in 1927-28. The success achieved in 1927-28 gave rise to great hopes and it was a severe disappointment to Government and to all interested in the establishment of the steel industry in India that the results of 1929-30 were not as favourable as those of 1927-28. It is Sir, most important that the Company should make every endeavour to reach the standard of production and costs which the Tariff Board estimated as feasible, and I think we may hope that the Company recognises this and fully understands that the continuance of protection after the expiry of the 7 years depends very largely upon whether genuine efforts have been made to secure the reduction of costs and the increase in outturn which the Tariff Board considered feasible. It is certainly most important that the leeway resulting from the strike of 1928 should be made up as soon as possible. The Company, I hope, no doubt realises this fact as much as we do and are making every endeavour to regain the lost ground.

There is only one other point with which I should like to deal, and that is a point to which the Honourable Member did not refer in his speech. The Resolution recommends that the committee should consist of experts as well as Members of the Central Legislature. As regards the second element, Sir, namely, Members of the Legislature, that is an element to which Government could not agree. It is essential that every Member of the Legislature should be free, when the question of the continuance of the protection to the steel industry comes up in 1934, as it inevitably must, to approach that subject with an open mind and unfettered by any opinions formed as a member of a body which has conducted an inquiry into the working of the steel industry.

Again, Sir, I think that if disaster is to be avoided, it is most essential that the commercial management of a concern like the Tata Iron and Steel Company should be kept strictly aloof from the political field. As regards the first element, Sir, the presence of experts,—that stands on an entirely different footing. Expert assistance may be necessary and that is a point which Government will take into careful consideration in connection with the statutory inquiry to be held before the end of 1933-34.

The Honourable Member suggested that he would be prepared to withdraw his Resolution if I gave a promise on behalf of Government that the Tariff Board should be directed to hold an inquiry now. I think, Sir, it is clear from what I have said that I can give no such promise. In conclusion I hope the House will agree with me that a case has not been made out for a special inquiry at the present moment.

Sir, I oppose the Resolution.

THE HONOURABLE MR. ABU ABDULLAH SAIYID HUSSAIN IMAM :
Sir, in replying to the debate I am in a difficult position whether to rely on what the Director of Tatas said or on the letter which the Tatas submitted to the Tariff Board during their inquiry on steel rails. The Honourable Sir Phiroze Sethna pointed out that there was no loss to the Company, it was fairly well and that everything was quite all right, whereas the Tatas, in their letter, which is given on page 18 of the Report of the Tariff Board on Steel Rails, said :

“In our view, therefore, the total difference between the production originally recommended by the Tariff Board in their Reports which were accepted by the Government and the Assembly and the present state of affairs which contemplates maximum orders of 80,000 tons of rails and 3,000 tons of fish-plates is Rs. 46·65 lakhs on account of overhead and profit and Rs. 20·44 lakhs on account of increased cost making a total of Rs. 67·09 lakhs.”

This is the total loss that they expect from the reduction in the years preceding, and this is made up by 20 lakhs, or 16 lakhs that will be realised from the Government by the additional price paid on account of rails as recommended by this committee. Still there will be 47 lakhs to be made up. The Honourable Sir Phiroze Sethna prided himself that the Company has been able to work so well that it has been able to give some profits to the shareholders. That profit has come from depreciation. The depreciation fund, as recommended by the Tariff Board, ought to have been 78 lakhs, whereas they set aside for depreciation Rs. 20 lakhs less each year. For three years this amounts to Rs. 60 lakhs, and 65 lakhs were distributed by the Company to its shareholders. In addition to this, Sir, my case was not that the Tatas are not managing well. It was not my case that the Government is trying to make the Tatas run at a loss. My case was that the industry in itself is not in a position in which it ought to be due to some defect. It was the finding out of that defect which prompted me to bring this Resolution for a committee, and that is why, anticipating that the Government will have objection to the inclusion of Members from the Central Legislature, I suggested that the Tariff Board may make an inquiry into the industry and find out whether the position is satisfactory as it ought to be according to the Statutory Report. I did not say that the Company is mismanaged. What I said was that it was due to mismanagement that there is difference between expectations and the actual output of the Company. The actual output of the Company is reduced, as Sir Phiroze Sethna said, to 35,000 tons although they could produce 45,000 tons. It was said that it was due to the reduction in the orders for rails. Then why could not other things be manufactured? There is an enormous

[Mr. Abu Abdullah Saiyid Hussain Imam.]

amount of import of steel still, and if other forms like structures, beams and angles were manufactured, I think that the leeway could be made up. My intention in bringing forward this Resolution, was to help the industry and not to put it back. If the Government does not wish it, if the Tatas do not wish it, it is the poor tax-payer who has got to bear the burden for 7 years or more instead of 3 years for which the Act is effective, and there is nobody to safeguard their interests. No one has said anything up till now whether the industry will be in a position to be self-supporting at the expiry of the term or not. That was the kind of assurance which either the Government could have given us or a responsible member from the Tatas could have given us—that the industry required no more help from you and you will be free and saved from that burden. It was that that I wanted.

THE HONOURABLE SIR MANECKJI DADABHOY (Central Provinces : Nominated Non-Official) : How can you say at this stage ?

THE HONOURABLE MR. ABU ABDULLAH SAIYID HUSSAIN IMAM : If it cannot be said, then in 1933 again we shall be told the industry is not in a prosperous condition and we will have to pay again. That is what I wish to save the country from. I wish to find out whether this three years' programme is satisfactory or not, whether, as the Tariff Board has stated, the industry has got such natural advantages that it can be expected shortly to be in a condition to be self-supporting and to live without protection. I stand up here to safeguard the interests of those who pay the taxes. If this Council is not going to safeguard these interests then I can do no good. I am one out of 33 elected Members. If the other 32 do not want it I have no option but to withdraw this Resolution.

I beg for leave to withdraw my Resolution.

The Resolution was, by leave of the Council, withdrawn.

STATEMENT BY THE LEADER OF THE HOUSE.

THE HONOURABLE SIE BROJENDRA MITTER (Leader of the House) : Sir, there are no more days fixed for non-official business. The course of Government business will entirely depend on events in another place. I regret that at present it is quite impossible to make any prediction as to the date of our next meeting for the disposal of Government business ; and I can only suggest that the Council should be adjourned to a date and hour to be announced later. I undertake to give you, Sir, the earliest available information which reaches me. Honourable Members would be well advised to watch the course of Government legislation in the other Chamber. It is improbable in any case that our next meeting will be before Monday, the 23rd March.

THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD (United Provinces Northern : Non-Muhammadian) : Is the Honourable the Leader of the House in a position to say that the Council will finally break up on the 24th March ?

THE HONOURABLE SIE BROJENDRA MITTER : It is impossible for me to add to what I have already stated.

THE HONOURABLE THE PRESIDENT : The Chair has no option but to adjourn the Council to a date and time to be notified hereafter.

The Council then adjourned to a date and time to be notified later.

COUNCIL OF STATE.

Saturday, 28th March, 1931.

FAREWELL ADDRESS OF HIS EXCELLENCY THE VICEROY TO THE COUNCIL OF STATE AND THE LEGISLATIVE ASSEMBLY.

His Excellency the Viceroy, having arrived in procession with the Presidents of the Council of State and the Legislative Assembly, took his seat on the dais in the Assembly Chamber.

On rising to address the Members of the Central Legislature, His Excellency was received with loud applause.

His Excellency said :

Gentlemen,—I have come to take formal farewell of the Members of both Houses of the Central Legislature, and it is not therefore my intention to embark upon matters of controversy. It might however appear discourteous to the House if I were to pass over without remark the difficult position that has developed in connection with the Finance Bill. Before finally deciding upon the action it may be my duty to take, I propose to convene a small conference of Leaders in both Houses with the members of my Government to discuss the situation.

This occasion of farewell for me is, of necessity, tinged with much regret, for it marks the close of my official connection with these two bodies, whose deliberations I have always watched with the keenest interest, and whose presence in Delhi and Simla has given me the privilege of meeting, and taking counsel with, so many public men from all quarters of India.

This might seem to be the moment to survey the past five years, and to sum up the progress which has been achieved in the various spheres of the national life in which we here, as devotees of the science of politics, are, particularly interested. But I know, gentlemen, that you are drawing to the close of an arduous Session, and I do not wish to detain you long. Nor is the period of a Viceroyalty necessarily a self-contained era and, though to a Viceroy his five years of office must always appear as an outstanding epoch of his life, the historian of the future will be likely to mark the passage of events by tendencies, rather than by persons who for a period were privileged to play their part upon this great stage.

But before taking leave of you, there are a few things which I should like to say. First of these is to express to you something of the debt in which I and my Government feel you have placed us by your very presence here this Session. During the last year the country has passed through dark days. It was the opinion of some that nothing good could come out of participation in the legislative bodies of this country. You, gentlemen, thought otherwise, and, in acting as you did, you acted, many of you, in the face of unpleasantness, risks and bitter reproaches of which I am only too well aware. Had you not had the courage of your convictions, the continuity of Indian parliamentary

[H. E. the Viceroy.]

progress might well have suffered a rude set-back, and therefore it is not only I and my Government, but the whole country, who owe you gratitude for the service you have rendered. In this appreciation of your public spirit I would wish also to include, with grateful recognition, the members of your sister-bodies in the Provinces. We cannot now predict how soon a revised constitution can be framed and brought into being; but I would wish here to assure you, if such assurance is required, that there is not, and never has been, any intention in my mind of putting an earlier term to the life of the present Legislature than that which is laid down by the Government of India Act, or may be rendered necessary by the supervention of a new constitution.

At present most of us are absorbed in the problems of the immediate future, and it may be that there are some who feel that, beyond the careful discharge of their duties within the House, there is little that can be done of use outside in their capacity of representatives of the people. But I would venture, not in any spirit of infallible knowledge but as one who has been brought up among politics in a country, where political institutions have flourished for several centuries, and from which therefore there is perhaps something to be learnt, to suggest one direction in which Members of the Legislatures can do much. That work is the political education of their constituents. I am well aware of the difficulties in the way—the wide areas to be covered, in many cases the difficulties of travel, and the lack of education among a large proportion of those to whom they must appeal. But these are difficulties which can be overcome, and I conceive it to be one of the many obligations resting upon the Members of this Legislature, on whom depends in so large a measure the standard of political thought, that they should strive to bring home to their electorates the rights and responsibilities of each elector and thus perform a work of immense benefit in the evolution of the constitutional life of India.

I need not tell you, gentlemen, how earnestly I hope that whatever may be done within these walls, under the present constitution, or under whatever changed conditions the future may have in store, may redound to the benefit and happiness of the people of India. Controversy there must be, for controversy is an inseparable feature—if not the very purpose—of parliamentary institutions. But I trust that, in all the clash of opinion and debate, rancour and bitterness may here find no place, and that, if men must differ as to the method most suited to attain the ultimate object that all seek to serve, they may agree in paying mutual respect to the motives which underlie their actions. I would go further and ask that, whenever Members of these Houses feel constrained to disagree with views advocated by their brother politicians in England, they will at least not lightly be tempted to question their sincerity. I shall be in England, the majority of you will remain in India. Though many miles will separate us, I trust that our association in the objects which we both have so close at heart may not be impaired. In all sincerity I would assure you of my abiding interest in every matter that concerns the political life of India and of the attention with which I shall follow the record of your achievements, both corporate and individual. In bidding you farewell, I earnestly wish that all good fortune may attend you, and that every blessing may rest upon the people of India whom you represent, and among whom it has been my privilege and happiness to live and work during the last five years. (Loud and continued applause.)

(His Excellency the Viceroy then shook hands with each Member of the Council of State and of the Legislative Assembly.)

The Council met in the Council Chamber of the Council House at Half Past Eleven of the Clock, the Honourable the President in the Chair.

QUESTIONS AND ANSWERS.

MURAL DECORATION OF GOVERNMENT BUILDINGS IN NEW DELHI.

114. THE HONOURABLE BABU JAGADISH CHANDRA BANERJEE : Is it the intention of Government to continue the mural decoration of Government buildings in New Delhi ? If the answer is in the affirmative, when will work commence and who are to do the work ? Have Government got a scheme formulated ? If so, will they place the scheme before the House ?

THE HONOURABLE SIR JOSEPH BHORE : The whole question of further action to be taken in connection with the mural decoration of Government buildings in New Delhi is under the consideration of Government.

AMOUNT SPENT BY GOVERNMENT ON THE PURCHASE OF CLOTH, LIVERIES AND UNIFORMS.

115. THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD : (1) What amount has been spent by Government during the last three years, 1928, 1929, and 1930, respectively, on the purchase of cloth, liveries and uniforms, supplied to the employees in

(a) the Military Department,

(b) the Railway Department, and

(c) other Departments of the Central Government, separately ?

(2) How much of the amount so spent represents the purchase value of articles manufactured in India, England, and other countries, respectively ?

THE HONOURABLE SIR JOSEPH BHORE : With your permission, Sir, I shall answer this question for the Honourable Sir Arthur McWatters.

(1) I lay on the table a statement showing the required information.

(2) The information is not readily available, and I regret I cannot see my way to call for it. The time and labour spent in its collection by the different Departments would be very great.

Statement showing the amounts spent by Government on the purchase of liveries, etc.

Department.	1928.		1929.		1930.	
	Rs.	A. P.	Rs.	A. P.	Rs.	A. P.
Army Department	2,050	0 0	2,169	0 0	872	0 0
Railway Department	202	1 0	4,390	6 0	797	2 0
Other Departments	11,933	8 3	14,252	14 6	15,546	2 3

COST OF THE ERECTION OF THE VICTORIA MEMORIAL IN CALCUTTA.

116. THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD : What is the total amount spent on the erection of the Victoria Memorial in Calcutta ? Who bore the cost ?

THE HONOURABLE MR. H. W. EMERSON : The cost of erection of the Victoria Memorial, including the amount spent on laying out the gardens and grounds, was Rs. 85 lakhs. This sum was raised by subscriptions from the Princes, Chiefs and the public of India and by grants from the Government of India and the Government of Bengal.

GRANT OF A REBATE OF RAILWAY FREIGHT ON WHEAT BOOKED FROM THE UNITED PROVINCES TO CALCUTTA.

117. THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD : (a) With reference to the Press Communiqué, dated the 29th January, 1931, of the Government of India, granting a rebate of 1/3rd of the railway freight on all consignments of wheat booked from the Punjab to Calcutta for a period of two months, will Government be pleased to state why a reduction in railway rates was not made on wheat consignments booked from the United Provinces to Calcutta, in order that the surplus wheat in the United Provinces might find absorption in the Calcutta market ?

(b) Is it the intention of Government now to make such a reduction ? If not, why not ?

THE HONOURABLE MR. J. A. WOODHEAD : (a) As the Honourable Member will see from the Press Communiqué he refers to, the arrangement for the grant of a rebate is based on an agreement with the Punjab Government on whose representations the rebate is being allowed. A similar representation was not received by the Government of India from the Government of the United Provinces.

(b) The question of making a similar arrangement for consignments of wheat booked from the United Provinces to Calcutta will be examined by the Government of India if the Local Government desires that such an examination should be made.

THE HONOURABLE MR. SATYENDRA CHANDRA GHOSE MOULIK : Will the Government be pleased to state the total quantity of wheat consigned from the Punjab to Calcutta during these two months ?

THE HONOURABLE MR. J. A. WOODHEAD : I will supply the Honourable Member with the information.

THE HONOURABLE MR. SATYENDRA CHANDRA GHOSE MOULIK : Has there been an increase in the quantity consigned from the Punjab during these two months due to this lowering of freights ?

THE HONOURABLE MR. J. A. WOODHEAD : Again, Sir, I will arrange to supply the Honourable Member with the information.

REDUCTION IN THE RATES OF RAILWAY FREIGHT ON WHEAT CONSIGNED FROM THE PUNJAB AND THE UNITED PROVINCES TO KARACHI.

118. THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD : (a) With reference to the Press Communiqué, dated the 17th November, 1930, of the Government of India, regarding the reduction in the rates of railway freight on wheat from the Punjab and the United Provinces to Karachi, will Government be pleased to state what have been the results of the action taken under the said communiqué ?

(b) Did the reductions brought into force in terms of the said communiqué continue to remain in force after the 28th February, 1931, or not ? If not, do Government intend reducing rates of railway freight again for a further period ?

THE HONOURABLE MR. J. A. WOODHEAD : (a) The total quantity of wheat received in Karachi from stations from which the reduced rates were effective, from the 23rd November, 1930 (by which date approximately consignments booked on and after the 18th November would have been received in Karachi) up to the 7th March, 1931 (by which date consignments booked up to the 28th February, 1931, would have been received in Karachi) was 55,249 tons which is about 47,000 tons more than the quantity received in Karachi during the corresponding period of the previous year.

(b) The reply to both parts of this question is in the negative.

COMPETITION OF FOREIGN TEAS WITH TEA GROWN IN INDIA.

119. THE HONOURABLE RAI BAHADUR PROMODE CHANDRA DUTTA : 1. Have over 9 million pounds of foreign teas during the year 1930 come into India and are they selling against the tea actually grown in this country ?

2. From what countries have they come and in what quantities ?

3. Is Government in a position to explain this ?

4. Is Government in a position to help the tea industry in this country against foreign competition ?

THE HONOURABLE MR. J. A. WOODHEAD : 1. Imports of foreign teas during the calendar years 1928, 1929 and 1930 were 10·2, 8·5 and 8·7 million pounds respectively. The Government have no reason to doubt that imported teas displace a certain quantity of Indian teas.

2. Ceylon	.	.	.	.	.	.	.	2,514 thousand lbs.
Straits Settlements	.	.	.	.	.	.	.	176 " "
Java	.	.	.	.	.	.	.	2,058 " "
China	.	.	.	.	.	.	.	3,757 " "
Other countries	.	.	.	.	.	.	.	155 " "
Total								8,660 " "

or 8·7 million lbs.

3. Government are not aware that any special explanation is needed. As imports are not prohibited, there is nothing unusual in a certain amount of foreign tea coming into this country.

4. As the quantity of Indian tea exported and consumed by India is more than 430 million lbs., the effect of the foreign competition to which the Honourable Member refers is almost negligible. I would also remind the Honourable Member that a duty of 15 per cent. *ad valorem* is levied on imported tea under the Indian Tariff Act and an additional surcharge of 5 per cent. *ad valorem* is at present being levied under the Provisional Collection of Taxes Act in accordance with the proposals made in the Finance Bill which is now before the Legislature. No reasons for a further increase in these duties have yet been placed before Government.

PROVISION OF FACILITIES FOR EDUCATION IN BALUCHISTAN.

120. THE HONOURABLE KHAN BAHADUR CHAUDRI MUHAMMAD DIN : Will Government please state :

1. What is the population of Baluchistan and how many of them are literate ?
2. Is the Province the most backward in education among all the provinces of India ?
3. Is there no college in this Province ?
4. Does the Province comprise an area of 134,638 square miles ?
5. Does Government propose to provide educational facilities to the people of Baluchistan in order to bring the Province to the level of other provinces in India ?

THE HONOURABLE SIR FRANK NOYCE : 1. According to the provisional figures of the census of 1931 the population of British Baluchistan is 463,492. The figures for literates are not yet available. According to the census of 1921 there were 30,247 literates out of the then population of 420,648.

2. Yes.

3 and 5. There is at present no college in this Province. The provision of facilities for higher education is at present under the consideration of Government.

4. The area of the province of Baluchistan is 54,228 square miles. The province and states of Baluchistan together have an area of 134,638 square miles.

PAUCITY OF MUSLIM JUDGES IN HIGH COURTS.

121. THE HONOURABLE MR. ABU ABDULLAH SATYID HUSSAIN IMAM : (a) Will Government be pleased to lay on the table a statement showing the number of Muhammadan, Hindu, Christian and European Judges in all the different High Courts of India ?

(b) Are not qualified Muslims available for such posts ? If the answer be in the affirmative, will Government be pleased to state the reason why there are not more Muslim Judges ?

(c) What qualifications are required for the post of High Court Judgeship ?

THE HONOURABLE MR. H. W. EMERSON : (a) The information is contained in the statement which I lay upon the table.

(b) The statement shows that there are a number of Muslim Judges in High Courts and Courts of analogous jurisdiction. As stated before in this House, permanent appointments to the High Courts are made by His Majesty under section 101 of the Government of India Act. The main criterion in filling vacancies is necessarily that of legal qualifications subject to which the claims of Muslim candidates receive careful consideration.

(c) The qualifications are laid down in section 101 of the Government of India Act.

Statement showing the present strength of High Courts, Chief Court, Oudh, and Judicial Commissioners' Courts.

Province.	Muslims.	Hindus.	Indian Christians.	Europeans.
<i>High Courts.</i>				
Madras (14) . . . . .	..	6	..	8
Bombay (10+1 Additional) . . .	1	3+1 Parsi	..	6
Calcutta (15+1 Additional) . . .	2 including one appointed acting Judge.	6	..	8
Allahabad (9+3 Additional) . . .	2	3	..	7
Lahore (9+5 Additional)	2	4	1	7
Patna (9+2 Additional)	2	3	..	6
Rangoon (11) . . . . .	..	2+2 Burmans.	..	7
<i>Chief Court.</i>				
Oudh (5)	2	1+1 Parsi	..	1
<i>Judicial Commissioners' Courts.</i>				
Central Provinces (5) . . . . .	..	2	..	3
N.-W. F. Province (2)	1	..	..	1
Sind (4)	1	1	..	2

NUMBER OF MUHAMMADANS, HINDUS, CHRISTIANS AND EUROPEANS APPOINTED AS JUDGES OF THE DIFFERENT HIGH COURTS SINCE 1921.

122. THE HONOURABLE MR. ABU ABDULLAH SAIYID HUSSAIN IMAM: (a) Will Government be pleased to lay on the table a statement showing the number of Muhammadan, Hindu, Christian and European officials appointed as Judges of the different High Courts since 1921.

(b) Has no Muhammadan official ever been appointed as Judge in some High Courts; if so, where and why?

THE HONOURABLE MR. H. W. EMERSON : I will obtain the information and communicate it to the Honourable Member on receipt.

SHORT NOTICE QUESTION.

RIOTS IN BENARES, MIRZAPUR, AGRA AND CAWNPORE.

THE HONOURABLE KHAN BAHADUR CHAUDHRI MUHAMMAD DIN : Sir, I beg to put the following short notice question :

(a) Has the attention of Government been directed to the feeling in the country over the recent riots and murders in Benares, Mirzapur, Cawnpore and other places ?

(b) Is there danger of further spread of lawlessness ?

(c) If so, what steps do Government propose to take to restore confidence and bring the offenders speedily to justice ?

THE HONOURABLE MR. H. W. EMERSON : (a) Government are aware of the strong feeling that has been naturally aroused by the communal disorders in Benares, Mirzapur, Agra and Cawnpore.

(b) While it is the most earnest hope of Government that no further outbreaks of this character will occur, they consider that there is danger of this happening, unless public opinion among all communities and classes is strongly and constantly exerted in the interests of peace.

(c) The Government of India are satisfied that the Government of the United Provinces have spared and will spare no effort to restore normal conditions and to bring offenders speedily to justice. All Local Governments are fully alive to the danger of communal strife and will take all steps that are possible to anticipate and prevent clashes and to bring them promptly under control if unfortunately they occur. In the matter of prevention, however, the communities concerned can do far more than Government in restoring and maintaining friendly relations, and Government appeal to their toleration and good sense to do all that lies within their power to promote this end.

STATEMENTS LAID ON THE TABLE.

REVIEW OF THE CIVIL EXPENDITURE OF THE GOVERNMENT OF INDIA IN THE SIX YEARS ENDING WITH 1929-30.

THE HONOURABLE SIR JOSEPH BHOORE (Industries and Labour Member) : Sir, I beg to lay on the table the review* of the civil expenditure of the Government of India in the six years ending with 1929-30.

COMMERCIAL TREATIES AFFECTING INDIA.

THE HONOURABLE MR. J. A. WOODHEAD (Commerce Secretary) : Sir, I beg to lay on the table a list of further commercial treaties and notes which affect India. The agreements mentioned in Part II are also laid on the table.

*Not printed in these proceedings.

PART I.

The agreements mentioned in this part provide for the grant of most-favoured-nation treatment to the products and manufactures of India on terms of reciprocity. Such treatment, however, does not include special privileges—

- (1) granted by the Soviet Union under treaties to States which in 1914 formed an integral part of the Russian Empire, to any country forming part of a customs union with her, and to her border States with respect to local trade ;
- (2) granted by Egypt to the Sudan and to countries bordering on Egypt in regard to frontier traffic.

Country.	Nature of agreement.	Description.	Date.
1. Soviet Union .	Temporary agreement .	Commerce . .	April 16, 1930.
2. Egypt . .	Notes	Commerce . .	June 5/7, 1930.
3. Roumania .	Treaty, Protocol, Protocol of Signature and Notes.	Commerce and Navigation.	August 6, 1930.

PART II.

India is a party to the agreements mentioned in this part.

Country.	Nature of agreement.	Description.	Date.
1. Persia . .	Treaty and Notes .	Tariff Autonomy	May 10, 1928.
2. Turkey . .	Notes	Commercial relations.	September 3, 1930.

ANGLO-PERSIAN TARIFF AUTONOMY TREATY OF MAY 10, 1928.

(ENGLISH TEXT ASSIGNED.)

His Majesty the King of Great Britain, Ireland and the British Dominions beyond the Seas, Emperor of India, and His Imperial Majesty the Shah of Persia,

Desiring to facilitate and extend still further the trade and commerce of their respective countries and to regulate by means of a further treaty the commercial relations between Great Britain and Northern Ireland, India and such other territories under the sovereignty, protection or authority of His Britannic Majesty as he may desire should be bound by the treaty on the one side, and Persia on the other side,

Have resolved to conclude a treaty for this purpose and have appointed as their plenipotentiaries :—

His Majesty the King of Great Britain, Ireland and the British Dominions beyond the Seas, Emperor of India :

For Great Britain and Northern Ireland and all parts of the British Empire which are not separate members of the League of Nations :

Sir Robert Henry Clive, K.C.M.G., His Majesty's Envoy Extraordinary and Minister Plenipotentiary at Tehran ;

For India :

Sir Robert Henry Clive, K.C.M.G., His Majesty's Envoy Extraordinary and Minister Plenipotentiary at Tehran ;

His Imperial Majesty the Shah of Persia :

His Excellency Mirza Fatoullah Khan Pakrevan, Acting Minister for Foreign Affairs ;

who, having communicated their full powers, found in good and true form, have agreed as follows :—

Article 1.

His Britannic Majesty, realising the importance to Persia of full autonomy in all matters relating to customs duties and being willing, in view of the relations of friendship, between the Governments of the high contracting parties, to facilitate the realisation of the Shah of Persia's wishes in this respect, agrees to the abrogation of all provisions of the existing treaties between the high contracting parties which limit in any way the right of Persia to settle the Persian customs tariff in full autonomy.

Article 2.

For the duration of the present treaty, and subject to complete reciprocity, goods produced or manufactured in any part of His Britannic Majesty's territories to which the present treaty applies shall not be subjected on entry into Persia to any customs duty, coefficient, surtax, or import tax whatsoever, other or higher than the minimum duties, coefficients, surtaxes, or import taxes, levied on similar goods imported from any foreign country whatever.

In like manner for the duration of the present treaty, and subject to complete reciprocity, goods produced or manufactured in any part of the Persian Empire and exported to any part of the territories of His Britannic Majesty to which this treaty applies, shall not, on leaving Persia, be subjected to any customs duty, coefficient, surtax or export tax whatsoever other or higher than the minimum duties, coefficients, surtaxes or export taxes levied on similar goods exported to any foreign country whatever.

Persia having in virtue of her tariff autonomy established a single legal tariff (prescribing maximum and minimum rates) to be enforced on all her frontiers, and to be applied for a fixed period to those countries with which she has bound herself by a treaty or convention, agrees that goods produced or manufactured in any part of His Britannic Majesty's territories to which this treaty applies shall, for the duration of the present treaty, enjoy the benefit on their entry into Persia of the minimum rates of the Persian autonomous tariff in force.

His Britannic Majesty agrees for his part that goods produced or manufactured in Persia shall benefit on their entry into any part of his territories to which this treaty applies by the minimum tariff in force accorded at any time to the most favoured nation.

It is understood that if at any time during the period during which this treaty is in force Persia elects to reduce on any of her frontiers one or more of the minimum rates of this tariff, such reductions will be automatically applied to the goods produced or manufactured in the territories of His Britannic Majesty to which this treaty applies, by whatever frontier they are imported.

Article 3.

Goods produced or manufactured in the territories to which this treaty applies belonging to one of the high contracting parties and regularly imported into the territories to which this treaty applies belonging to the other high contracting party shall on no account be subjected, after duly paying the duties and charges laid down by the laws of the country as being applicable upon entry to goods of foreign origin, to any internal taxation or imposts other than those imposed on similar articles of local origin or imported from any foreign country whatever.

Article 4.

His Britannic Majesty, so far as concerns his territories to which this treaty applies, and His Majesty the Shah of Persia, being each desirous of encouraging liberty of commerce and avoiding the hindrance of their mutual commercial relation by prohibitions or restrictions on imports and exports, agree that they will not introduce any restrictive or prohibitive measures against products of the territories of the other with the exception of the following classes of prohibitions and restrictions which will not be prohibited, on condition, however, that they are not applied in such a manner as to constitute a means of arbitrary discrimination between foreign countries where the same conditions prevail, or a disguised restriction on international trade :—

1. Prohibitions or restrictions relating to public security.
2. Prohibitions or restrictions imposed on moral or humanitarian grounds.

3. Prohibitions or restrictions regarding traffic in arms, ammunitions and imple-
ments of war, or in exceptional circumstances, all other military supplies.
4. Prohibitions or restrictions imposed for the protection of public health or for
the protection of animals or plants against diseases, insects and harmful
parasites.
5. Export prohibitions or restrictions issued for the protection of national treasures
of artistic, historic or archaeological value.
6. Prohibitions or restrictions applicable to gold, silver coins, currency notes,
banknotes or securities.
7. Prohibitions or restrictions designed to extend to foreign products the regime
established within the country in respect of the production of, trade in,
and transport and consumption of native products of the same kind.
8. Prohibitions or restrictions applied to products which, as regards production
or trade, are or may in future be subject within the country to State mono-
poly or to monopolies exercised under State control.

Moreover, nothing shall affect the right of either of the two high contracting parties to adopt measures prohibiting or restricting importation or exportation for the purpose of protecting, in extraordinary and abnormal circumstances, the vital interests of the country.

Should measures of this character be adopted, they shall be applied in such a manner as not to lead to any arbitrary discrimination against the other high contracting party. Their duration shall be restricted to that of the causes or circumstances from which they arise.

Nevertheless, it is agreed between the two high contracting parties that the provisions of this article shall not be invoked in regard to any prohibition or restriction on importation or exportation which is not contrary to the provisions of the International Convention for the Abolition of Prohibitions and Restrictions on Importation and Exportation, signed at Geneva on the 8th November, 1927.

Article 5.

The value to be declared for the calculation of customs duties on importation into Persia in cases in which the tariff prescribes *ad valorem* duties shall be equal to the market price of the goods in question in their place of origin or manufacture increased by the expenses of packing, sale, insurance, commission and transport, as well as of other necessary expenses for the importation of the goods to the Persian frontier. This value cannot, in any case, be inferior to the wholesale price of similar goods in the place of importation and at the moment of importation, a deduction being made of 10 per cent., as well as of a sum corresponding to the duties and charges which products of that kind pay on entry. When the value of the goods is originally expressed in foreign money, this will be converted into the money of the country into which the goods are imported in accordance with the most recent rate of exchange followed by the local banks before the deposit of the declaration with the customs.

The present treaty shall be ratified and the ratifications shall be exchanged at Tehran as soon as possible. It shall come into force immediately upon ratification, and shall be binding during eight years from the date of its coming into force.

In case neither of the two high contracting parties shall have given notice to the other six months before the expiration of the said period of eight years of its intention to terminate the present treaty, it shall remain in force until the expiration of six months from the date on which either of the two high contracting parties shall have denounced it.

The present treaty has been drawn up in Persian and in English, pending the preparation of the French text, on which the two high contracting parties will agree as soon as possible and which will be authoritative.

In witness whereof the respective plenipotentiaries have signed the present treaty and have affixed thereunto their seals.

Done at Tehran the 10th day of May, 1928.

(L. S.) R. H. CLIVE.

(L. S.) F. PAKREVAN.

Protocol Annexed to Article 2.

It is agreed that by the minimum tariff rates in force are meant the minimum tariff rates approved by the law of the Majlis of May 3, 1928 (13th Ordibehecht, 1307).

But if the rates in force on the date of the signature of this treaty as granted to the most favoured nation are subsequently increased on the chief Persian articles of export, with the exception of mineral oil and its products, to the territories of His Britannic Majesty to which this treaty applies, Persia has the right to increase her minimum tariff on the principal articles from the territory or territories concerned.

At the same time it is agreed that the amount of duty resulting from such increase in the Persian minimum tariff shall not exceed the amount of duty resulting from the change in the tariff of the territory or territories concerned.

In witness of which the respective plenipotentiaries have affixed their signatures thereto.

Done at Tehran this 10th day of May, 1928.

(Sd.) R. H. CLIVE.

(Sd.) F. PAKREVAN.

No. 3.

EXCHANGE OF NOTES REGARDING THE ENTRY INTO FORCE OF THE TREATY.

(i)

Sir R. Clive to Acting Persian Minister for Foreign Affairs.

Tehran, May 10, 1928.

M. le Gerant,

I have the honour to inform Your Excellency that, if you would be so good as to confirm to me that it will be unnecessary to submit to the prior approval of the Majlis the Tariff Autonomy Treaty signed by us to-day, my Government would be prepared to agree to its provisional entry into force as from to-morrow pending the exchange of ratifications, which will be effected as soon as possible.

His Britannic Majesty's Government, nevertheless, consider that goods consigned direct to Persia before the application of the new tariff and originating in any part of the territories to which this Treaty applies, ought not to be subjected to customs duties higher than those to which similar goods from the same origin have hitherto been subjected.

I beg you, M. le Gerant, to be so good as to confirm in writing that the above is, as I trust, in conformity with the views of the Persian Government.

I avail, etc.,

(Sd.) R. H. CLIVE.

(ii)

Acting Persian Minister for Foreign Affairs to Sir Clive.

Tehran, May 10, 1928

M. le Ministre,

In reply to your letter of to-day's date, I have the honour to confirm to Your Excellency the full agreement of the Imperial Government on the subject of the provisional entry into force, as from to-morrow, of the Tariff Autonomy Treaty which we have signed to-day pending the exchange of ratifications, which will be effected as soon as possible.

It is true that in virtue of the law of the 13th Ordibehecht, 1307 (the 3rd May, 1928) the Government are authorised to apply this Treaty without there being necessity to submit it to the prior approval of the Majlis

Moreover, the Persian Government undertake not to impose on goods originating from any part of the territories to which the present Treaty applies, and consigned direct to Persia before the entry into force of the new tariff, customs duties higher than those to which similar goods of the same origin have hitherto been subjected.

Please accept, etc.,
(Sd.) F. PAKREVAN.

No. 4.

EXCHANGE OF NOTES REGARDING THE MAINTENANCE IN FORCE OF PROVISIONS OF EXISTING TREATIES.

(i)

Sir R. Clive to Acting Persian Minister for Foreign Affairs.

Tehran, May 10, 1928.

M. le Gerant,

With reference to the provisions of the Treaty signed this day between His Britannic Majesty and His Imperial Majesty the Shah of Persia, I have the honour to make the following communication and to ask you to be so good as to confirm it.

Whereas the Treaty signed this day between His Britannic Majesty and His Imperial Majesty the Shah of Persia replaces only those provisions of existing treaties between them which limited in any way the right of Persia to settle her tariff in full autonomy, His Britannic Majesty's Government in Great Britain and the Imperial Persian Government have the firm intention to proceed forthwith to the revision of those provisions in the existing treaties which have not been modified by the Treaty signed this day, with a view to the conclusion in a period of one year of a full Treaty of Commerce and Navigation, which shall place their relations in harmony with present circumstances.

It is accordingly agreed that, until the conclusion of such Treaty, and in accordance with the provisions of paragraph 2 of my letter of to-day's date, the principles laid down in Article 9 of the Anglo-Persian Treaty of 1857 relating to most-favoured-nation treatment shall be maintained as at present, and that ships and boats of the High Contracting Parties shall continue to enjoy such most-favoured-nation treatment, and also the same treatment as national ships and boats in all matters relating to commerce and navigation, including facilities and charges of all kinds in ports and harbours.

I avail, etc.,
R. H. CLIVE.

(ii)

Acting Persian Minister for Foreign Affairs to Sir R. Clive.

Tehran, May 10, 1928.

M. le Ministre,

In reply to your letter dated the 10th May 1928, I have the honour to confirm to you that, in consideration of the fact that the Treaty signed this day between His Imperial Majesty the Shah of Persia and His Britannic Majesty replaces only those provisions of the existing treaties between them which limited in any way the right of Persia to settle her tariff in full autonomy, and of the fact that His Britannic Majesty's Government in Great Britain and the Imperial Persian Government have the firm intention to proceed forthwith to the revision of those provisions of the existing treaties which have not been modified by the Treaty signed this day, and thus to conclude in a period of one year a Treaty of Commerce and thus Navigation which shall place their relations in harmony with present circumstances, it is agreed that, until the conclusion of such Treaty and in accordance with the provisions of paragraph 2 of your letter of to-day's date the principles laid down in Article 9 of the Anglo-Persian Treaty of 1857 relating to most-favoured-nation treatment shall be maintained as at present, and that ships and boats of the High Contracting Parties shall continue to enjoy such most-favoured-nation treatment and also the same treatment as national ships and boats in all matters relating to commerce and navigation, including facilities and charges of all kinds in ports and harbours.

Please accept, etc.,
F. PAKREVAN.

No. 5.

NOTES REGARDING THE COMMERCIAL RELATIONS BETWEEN THE SELF-GOVERNING DOMINIONS AND PERSIA.

(i)

Tehran, May 10, 1928

M. le Gerant,

I have the honour to assure Your Excellency, in the name of the Governments of Canada, the Commonwealth of Australia, New Zealand, the Union of South Africa and the Irish Free State, that His Britannic Majesty renounces, as from the date of the entry into force of the treaty signed this day between himself and His Imperial Majesty the Shah of Persia, the right of those Governments to benefit by those treaty provisions which limit in any way the right of Persia to her customs autonomy.

It is understood that His Britannic Majesty reserves the right, for each of the above-mentioned States, separately to denounce the present treaty at the date of its expiration.

I avail, etc.,

R. H. CLIVE.

(ii)

Acting Persian Minister for Foreign Affairs to Sir R. Clive.

Tehran, May 10, 1928.

M. le Ministre,

I hereby take note of the renunciation by His Britannic Majesty, as from the entry into force of the treaty signed this day between His Imperial Majesty the Shah and His Britannic Majesty, of the right of the States mentioned in your letter, dated the 10th May, to benefit by those treaty provisions which limit in any way the right of Persia to her customs autonomy.

I also note that His Britannic Majesty reserves the right, for each of the above-mentioned States, separately to denounce the present treaty at the date of its expiration.

I have the honour to assure Your Excellency, in the name of the Imperial Persian Government, that goods produced or manufactured in Canada, the Commonwealth of Australia, New Zealand, the Union of South Africa and the Irish Free State or in territories placed under their authority or jurisdiction, will not be accorded less favourable treatment in Persia than the goods produced or manufactured in any other foreign country, so long as the goods produced or manufactured in Persia enjoy in the State or territory concerned treatment not less favourable than that accorded to goods produced or manufactured in any other foreign country.

Please accept, etc.,

F. PAKREVAN.

(iii)

Sir R. Clive to Acting Persian Minister for Foreign Affairs.

Tehran, May 10, 1928;

M. le Gerant,

I hereby take note of the Imperial Persian Government's assurance contained in your letter of to-day's date that goods produced or manufactured in Canada, the Commonwealth of Australia, New Zealand, the Union of South Africa and the Irish Free State or in the territories placed under their authority or jurisdiction, will not be accorded less favourable treatment in Persia than the goods produced or manufactured in Persia enjoy in the State or territory concerned treatment not less favourable than that accorded to goods produced or manufactured in any other foreign country.

I avail, etc.,

R. H. CLIVE.

No. 6

EXCHANGE OF NOTES REGARDING IMPERIAL AIRWAYS (LIMITED).

(i)

Tehran, May 10, 1928.

M le Gerant,

Your Excellency is aware that the question of rapid communication between Great Britain and India is a matter of special interest, not only to His Britannic Majesty's Government in Great Britain, but also to the Government of India.

The Imperial Airways Company has already established a weekly service from Cairo to Basrah and is greatly desirous of prolonging this service to India.

I venture, therefore, to hope that the Imperial Government, recognising the purely commercial object of this company in desiring to have permission to fly over the Persian coast of the Gulf, will give favourable consideration to this proposal, which will permit the company to prolong its service to India by way of the Persian coast.

I avail, etc.,

R. H. CLIVE.

(ii)

Acting Persian Minister for Foreign Affairs to Sir R. Clive.

Tehran, May 10, 1928.

M le Ministre,

The Persian Government, intending to create Government aerodromes where the landing of foreign aircraft flying over Persian territory shall be authorised under equal conditions, and having no special reason to refuse this authorisation under the prescribed conditions to the aircraft of the Imperial Airways Company, is ready to enter into discussions with the representative of the said company in order to find a basis of agreement regarding the conditions under which the aircraft of the said company, shall be allowed to land on the Government aerodromes for a period to be determined.

Please accept, etc.,

F. PAKREVAN.

No. 7.

NOTES REGARDING THE POSITION OF BRITISH NATIONALS IN PERSIA AFTER THE ABOLITION OF THE CAPITULATIONS.

(i)

Acting Persian Minister for Foreign Affairs to Sir R. Clive.

Tehran, May 10, 1928.

M le Ministre,

In reply to enquiries, and at the moment of the realisation of their resolution to abolish the regime known as the capitulatory system, the Imperial Persian Government, animated by the wish to dispel the disquietude which might arise among British nationals resident in Persia, by reason of the novelty of the regime which will henceforth be applied to them, and desirous of keeping your nationals informed through you of the measures taken by Persian legislation and the Persian Government with regard to them, communicates the present decision in order that you may transmit its tenour to your nationals.

It is unnecessary to inform you that the Persian Government themselves, whose interest and earnest desire it is to obtain for Persian citizens as many guarantees as possible, and with this object to have a judicial system the working of which shall be as nearly perfect as possible, have accomplished considerable reforms in the judicial personnel and legislation.

Without mentioning laws which are known to everybody, the possession of knowledge in matters of law equivalent to that required for a legal diploma is at present an essential condition for anyone entering upon a judicial career.

As for the situation of British nationals in Persia resulting from the provisions of Persian law, the following measures taken by the Persian Government will be applied to them as from the 10th May, 1928 :—

1. On the basis of perfect reciprocity, they will be admitted and treated on Persian territory in conformity with the rules and practice of international law, will enjoy the fullest protection of the laws and the authorities of the country and will receive the same treatment as nationals.

2. In all civil or commercial cases in which one of the parties is a British national, only written evidence will be admitted.

In all proceedings, even criminal proceedings, judgment will be reduced to writing and will contain the considerations of law and of fact on which they are founded.

Those interested in the proceedings, or the persons authorised by them, shall have the right to obtain a copy of the evidence and of the judgment, subject to payment of the prescribed charges.

In criminal matters, oral testimony being a normal method of evidence the interests of the accused will be safeguarded, as at present, by articles 215 and 216 of the Penal Code dealing with perjury.

3. To the exclusion of all other jurisdiction, only the courts and tribunals subordinate to the Ministry of Justice will be competent to deal with cases in which one of the parties is of British nationality.

Only the criminal tribunals subordinate to the Ministry of Justice will, generally speaking, be able to pronounce sentences of imprisonment on British nationals.

Nevertheless, in the event of the proclamation of state of siege, when a case is brought before a tribunal specially constituted, that tribunal will also be able to take cognisance of cases in which a British national is concerned.

Moreover, in fiscal matters and in general in a dispute between an administration and a British national relating to a purely administrative matter, the administrative tribunals will retain their competence.

4. British nationals will in every case be amenable only to lay (non-religious) tribunals, and lay laws alone will be applicable to them.

5. The ordinary police courts will only be competent in matters of trifling importance and for facts involving only a slight penalty.

They will not be able to order sentence of imprisonment, save in cases where British nationals themselves request that the sentence of a fine imposed on them shall be converted into imprisonment. According to the law, the ordinary police courts will never be able to order more than one week's imprisonment. It is clearly understood that they are not authorised to order corporal punishment.

6. A British national arrested *in flagrante delicto* shall not be kept in prison for more than twenty-four hours without being brought before the competent judicial authority.

Apart from cases of arrest *in flagrante delicto*, no British national will be arrested or imprisoned without a warrant emanating from the competent judicial authority.

Neither the private dwelling house nor the business premises of a British national will be forcibly entered or searched without a warrant from the competent judicial authority with guarantees, to be determined later, against abuses.

7. British nationals arrested and imprisoned will have the right, in conformity with the prison regulations, to communicate with their nearest consuls, and the consuls or their representatives will have, subject to prison regulations, permission to visit them. Any requests so to communicate will at once be transmitted by the governmental authorities.

8. The Imperial Government has in contemplation generous regulations regarding release on bail, which will be compulsory in all cases, except cases of crime (crime as it is defined in the Penal Code).

The sum demanded as bail will be reasonably proportioned to the nature of the offence.

In cases of appeal the same facilities of release on bail as those mentioned above will be given until judgment in the appeal has been pronounced.

9. According to Persian law, trials are, in general and save in exceptional cases, held in public and those interested in the trials and in the fate of the parties concerned have, therefore, the right to be present, save in exceptional cases, as spectators, without any right, however, to take part in the proceedings.

10. In criminal matters, the accused is absolutely free to choose his counsel, who may be chosen even from his compatriots.

11. The Imperial Government has decided to reform the conditions of the prisons, in order that these may conform to a greater extent to modern custom, and a sum sufficient to provide prisons in Persia which shall fulfil the necessary hygienic conditions has already been voted.

In the meantime British nationals who may be condemned to imprisonment for more than one month—imprisonment for one month or less being convertible into a fine—shall be transferred at their request to a prison fulfilling the necessary hygienic conditions.

12. Whereas Great Britain accords most-favoured-nation treatment in matters of personal status to Persian nationals in the British Empire and the territories belonging to His Britannic Majesty, it is understood that in matters of personal status, i.e., all questions relating to marriage, conjugal rights, divorce, judicial separation, dower, paternity, affiliation, adoption, capacity, majority, guardianship, trusteeship and interdiction, in matters relating to succession to personalty, whether by will or no intestacy, and the distribution and winding up of estates, and family law in general, it is agreed between Persia and Great Britain that as regards non-Moslem British nationals established or being in Persia their national tribunals will alone have jurisdiction. As regards British nationals of the Moslem religion, the provisions of Moslem religious law, in conformity with the Persian codes, will be applied to them in matters of personal status, until this question has been finally settled.

The present stipulation does not affect the special attributions of consuls in matters of status in accordance with international law or special agreements which may be concluded, nor the right of Persian courts to request and receive evidence respecting matters acknowledged above as being within the competence of the national tribunals of the parties concerned.

By way of exception to the first paragraph, the Persian courts will also have jurisdiction in the matters referred to therein, if the parties concerned submit in writing to the jurisdiction of the said courts. In such case the Persian courts will apply the national law of the parties.

13. In matters of taxation, British nationals will be treated on a footing of equality with Persian nationals and will not be compelled to pay, under any pretext whatever, imposts, taxes or other fiscal dues which Persian nationals are not compelled to pay.

14. In judicial matters all judgments given by the former tribunals, even if they have not been carried into execution, are considered as finally settled, and shall in no case be subject to fresh enquiry; in the same way, every final judgment given by the former tribunals is recognised as one to be put into execution. In short, all cases concluded under the former judicial regime are considered as finally settled and shall in no case be reopened.

Unfinished cases in the Tribunal of the Ministry for Foreign Affairs and in the courts of provincial Governors shall be finished before those tribunals unless the foreign national concerned requests, before the close of the discussions, that the proceedings shall be transferred to the judicial tribunals.

The period allowed by the Imperial Government for the completion of unfinished cases before the said tribunals will not extend beyond the 10th May, 1929.

15. All questions relating to security for costs, execution of judgments, service of judicial and extra-judicial documents, commissions rogatoires, orders for the payment of costs and expenses, free judicial assistance and imprisonment for debt are left to be regulated by separate conventions to be concluded between Persia and Great Britain.

16. Seeing that in civil or commercial matters Persian law allows arbitration and clauses in agreements providing thereto, and since arbitral decisions rendered in pursuance thereof shall be executed on order of the president of the Court of first instance, who is obliged to issue that order unless the arbitral decision should be contrary to public order, it is clear that British nationals will be in complete enjoyment of this legal arrangement.

17. British nationals shall not be arrested or suffer restraint in their individual liberty in order provisionally to safeguard claims of a pecuniary nature, except in cases where any distraint to be made upon a debtor's possessions which are actually in Persia would be liable to be jeopardised by some action on the part of the debtor, and where they could not be safeguarded by any other means.

18. As regards immovable property and rights, it is understood that British nationals are permitted as in the past to acquire, occupy or possess such property on Persian soil as is necessary for their residence and for the exercise of their commerce and industry.

Please accept, etc.,

F. PAKREVAN.

Sir R. Clive to Acting Persian Minister for Foreign Affairs.

Tehran, May 10, 1928.

M. le Gerant,

With reference to Your Excellency's note dated the 21st Ordibehecht, 1306 (the 12th May, 1927), I have the honour to inform you that my Government have given sympathetic consideration to the wishes expressed by the Imperial Government for the cancellation of the capitulatory privileges by which British nationals have hitherto benefited.

I take note of the judicial measures which Your Excellency has been kind enough to communicate to me in your letter of the 10th May, and beg to inform you that my Government rely absolutely on the fact that the Imperial Government will ensure under the new regime complete and adequate protection to British nationals, their rights and their properties.

I note that the Imperial Government allow a period of one year to the Tribunal of the Ministry for Foreign Affairs and the Governors' court in order that unfinished business in these tribunals may be completed. I now therefore request the Imperial Government to be so good as to allow the same period to the British consular courts in order that these may finish the cases between British nationals which they have not up to the present been able to complete.

I avail, etc.,

R. H. CLIVE.

Acting Persian Minister for Foreign Affairs to Sir R. Clive.

Tehran, May 10, 1928.

M. le Ministre,

I have the honour to acknowledge the receipt of your letter of the 10th May.

His Britannic Majesty's Government can be assured that the new judicial regime in Persia will provide complete protection in all respects to the nationals of the British Empire.

In accordance with the wish which you have expressed to me in the name of your Government, the Imperial Government will allow to the British consular courts a period of one year for the completion in those courts of the unfinished cases of British nationals.

I avail, etc.,

F. PAKREVAN.

EXCHANGE OF NOTES REGARDING BRITISH MISSIONARY WORK.

Sir R. Clive to Acting Persian Minister for Foreign Affairs.

Tehran, May 10, 1928.

M. le Gerant,

I should very much like to receive from Your Excellency an assurance on behalf of the Imperial Government that British missionaries in Persia will be authorised as in the past to carry on their charitable and educational work.

I avail, etc.,

R. H. CLIVE.

Acting Persian Minister for Foreign Affairs to Sir R. Clive.

Tehran, May 10, 1928.

M. le Ministre,

In reply to your request relative to British missionaries, I have the honour to inform you that they will be authorised to carry on their charitable and educational work provided that they do not contravene either public order or Persian laws and regulations.

Please accept, etc.,

F. PAKREVAN.

NOTE TO ACTING PERSIAN MINISTER FOR FOREIGN AFFAIRS RECORDING THE POSITION WITH REGARD TO AN ERROR IN THE DOMINIONS NOTES OF MAY 10 (No. 5).

Sir R. Clive to M. Pakrevan.

Tehran, November 30, 1928.

M. le Gerant,

Under instructions from His Majesty's Government in Great Britain, I have the honour to draw Your Excellency's attention to an error which appears in the notes annexed to the Anglo-Persian Tariff Autonomy Treaty of the 10th May last. This error has already on several occasions formed the subject of discussion with his Highness the Minister of Court, and it is now the wish of my Government to put on record the fact that a certain passage in the notes mentioned above has been wrongly drafted, and to explain what it had been intended to say.

2. The passage in question occurs twice, firstly in paragraph 2 of my first note regarding the position of the self-governing Dominions of Canada, the Commonwealth of Australia, New Zealand, the Union of South Africa and the Irish Free State in relation to the Tariff Autonomy Treaty, and secondly in paragraph 2 of your Excellency's reply. The original wording of this paragraph, in the form to which His Majesty's Governments in the Dominions had agreed, ran as follows:—

"It is understood that His Britannic Majesty retains the right in respect of each of the Dominions mentioned above of withdrawing separately from the existing treaties between His Majesty and the Shah of Persia."

The object of this provision was to ensure that the Dominions retained for the future the right which they already possessed under article 2 of the Anglo-Persian Commercial Convention of 1903, and paragraph 3 of the Anglo-Persian Commercial Agreement of 1920, of withdrawing from participation in those instruments.

3. Owing to a misunderstanding due to the extreme haste with which the negotiations for the treaty had to be conducted, this paragraph in the notes as actually signed ran as follows:—

"Il est entendu que Sa Majesté britannique réserve le droit, pour chacun des Etats susmentionnés, de dénoncer séparément le présent traité à la date de son expiration."

It is evident that this wording in no way represents the intentions of His Majesty's Governments. It is, indeed, meaningless, for the treaty itself was not signed on behalf of the Dominions and does not apply to them: it is not possible for His Britannic Majesty to reserve the right to denounce a treaty on behalf of parts of his territories to which that treaty does not apply, nor is it reasonable to refer to the possibility of denouncing something at the date of its expiry when there is nothing to denounce.

4. My Government understand from his Highness the Minister of Court that the Persian Government are not disposed to agree to the rectification of the error by a withdrawal of the notes as signed and their replacement by new notes containing paragraph 2 in the form originally proposed by His Majesty's Governments. In these circumstances they think it necessary to place the true position on record.

I avail, etc.,

R. H. CLIVE.

No. 10.

PROTOCOL AUTHENTICATING THE FRENCH TEXT OF THE TREATY RELATING TO THE CUSTOMS AUTONOMY OF PERSIA, SIGNED THE 10TH MAY, 1928.

The undersigned, duly authorised for that purpose, have agreed, in the name of His Britannic Majesty on the one hand, and of His Imperial Majesty the Shah of Persia on the other hand, that the following text is the French text of the treaty relating to the customs autonomy of Persia, signed on the 10th May, 1928, at Tehran. This French text is the text which is declared in article 6 of the said treaty to be authoritative.

(Here follows the French text of the treaty—See No. 1.)

In witness whereof the respective plenipotentiaries have signed the present protocol authenticating the French text of the treaty relative to the customs autonomy of Persia, and have affixed thereto their seals.

Done at Tehran, the 17th April, 1930.

(L. S.) R. H. CLIVE.

(L. S.) M. FARZINE.

NOTE FROM HIS EXCELLENCY SIR GEORGE CLERK, HIS MAJESTY'S REPRESENTATIVE IN TURKEY, TO HIS EXCELLENCY DOCTOR TEVFIK RUSTU BEY, MINISTER FOR FOREIGN AFFAIRS, ANKARA (TURKEY), DATED THE 3RD SEPTEMBER, 1930.

I have the honour to inform you, under instructions from His Majesty's Principal Secretary of State for Foreign Affairs that, pending the negotiation and conclusion of a treaty regulating the commercial relations of the two countries, the Government of India, in order to avoid any impediment to the trade and commerce between India and Turkey on the lapse of the *modus vivendi* brought into force by an exchange of notes on the 2nd July 1929, to which India adhered on the 1st August 1929, undertake, on condition of reciprocity, to accord, as from the expiration of the above-mentioned *modus vivendi*, to goods the produce or manufacture of Turkey a treatment in India which shall be as favourable in all respects as that accorded to goods the produce or manufacture of the most-favoured foreign country. This treatment shall be accorded in all matters of commerce and navigation and as regards importation, exportation and transit, and in general all that concerns customs duties and formalities and commercial operations.

2. It is understood that the treatment of the most-favoured foreign country stipulated in the preceding paragraph will not embrace the special advantages which are or may in the future be accorded in customs matters by Turkey to countries detached from the Ottoman Empire under the Treaty of Lausanne of the 24th July, 1923.

3. In India and in the territories under the administration of the Government of India, Turkish nationals and in Turkey nationals of British India and of territories under the administration of the Government of India, will have the right to travel freely, to establish themselves and to acquire movable and immovable property under the same conditions as the nationals of the most-favoured foreign country.

4. The undertakings contained in this note will take effect as from the expiration of the *modus vivendi* mentioned in paragraph 1 above, and will remain in force for a period of six months at least, it being understood that the undertakings may be terminated by either party by giving three months' notice at the end of the third month or at any time subsequently. Failing such notice and subject to the aforesaid right of termination they will remain in operation until the entry into force of the treaty of commerce which is now to be negotiated, as from which date they will *ipso facto* cease to be effective.

I avail myself of this opportunity to assure Your Excellency of my highest consideration.

NOTE FROM HIS EXCELLENCY DR. TEVFIK RUSTU BEY, TURKISH MINISTER FOR FOREIGN AFFAIRS, TO HIS EXCELLENCY SIR GEORGE CLERK, HIS MAJESTY'S REPRESENTATIVE IN TURKEY, TÜRKİYE CÜMHURİYETİ, HARİCİYE VEKÂLETİ, ANKARA, 3 EYLÜL 1930.

Büyük Elçi Hazretleri.

Türkiye ile Hindistan arasındaki ticaret münasebetlerini tanzim edecek olan müsahe denin müzakere ve akdine intizaren ve 2 Temmuz 1929 tarihinde nota teatisi suretiler

meriyete konup Hindistan'ın 1 Ağustos 1929 tarihinde iltihak eylediği *Modus Vivendi* müddetinin hitamında iki memleket arasındaki ticareti sektedar edebilecek her türlü maniyayı bertaraf etmek üzere, Türkiye Cumhuriyeti Hükümetinin, mütakabiliyet sartile yukarıda zikredilen *Modus Vivendinin* inkizasından itibaren, Hindistan'ba müs'ahsal veya mamul emtiaya, her hususta, Türkiye'de en ziyade müsadeye mazhar ecebni memlekette mustahsal veya mamul emtiaya bahsedilen muamele kadar müsait bir muamele tatbik etmégi taahhüt eylediğini Zatiâlinize bildirmekle kесbisercif eylerim. Bu muamele ticaret ve seyrisefaine, ithalat, ihracat ve transite, ve alelumum gümrük rüsum ve muamelâtile ticarî muamelelere müteallik bütün hususlarda tatbik edilecektir.

2. Surasi mukarrerdir ki yukarıdaki fıkıada yazılı en ziyade müsadeye mazhar ecebni memleket muamelesi, 24 Temmuz 192" tarihli Lozan Muahdesi mucibince Osmanlı İmparatorlugundan ayrılmış o'an memleketlere gümrük husus'arı'na Türkiye tarafından bahsedilmiş veya ileride edilebilecek olan hususi menfaatleri tazammun etmiyecektir.

3. Hindistan'da ve Hindistan Hükümetinin idaresi altındaki memleketlerde türk tebeası, Türkiye'de İngiliz Hindis'ani "British India" ile Hindistan Hükümeti'n idaresi altındaki memleketler tebeası en ziyade müsadeye mazhar ecebni devle: tebeası ile aynı serait dairesinde, serbestçe Seyahat, İkamet etmek ve menkul ve gayrimenkul emval tasarruf eylemek hakkını haiz olacaklardır.

4. Bu notanın ihtiva eylediği taahhütler yukarıdaki birinci fıkrada zikredilen *modus vivendinin* inkizasından itibaren meriyete girecek ve lâakal: İti'at meri olacaktır. Surasi mukarrerdir ki, Tarafardan her biri mezkûr taahhütleri- fesh, ihbar tarihinden üç ay sonra mutebar olmak üzere-üçüncü ayın nihayetinde veya bu tarihten sonra her an feshedebilecek tir. Böyle bir ihbar vukubulmadığı takdirde mezkûr taahhütler eylevm müzakeresine başlanacak olan Ticaret muahdesinin tatbiki tarikkê kadar-salifüz zikir fesh hakkı mahfuz kalmak sartile-meri ve bu tarihte bilfiil hükûmden sakit olacaktır.

Bilvesile, Büyük Elçi Hazretleri, Zatiâlinize ihtiramati fâikamı teyit eylerim.

TRANSLATION OF NOTE FROM HIS EXCELLENCY DR. TEVFIK RUSTU BEY, TO HIS EXCELLENCY SIR GEORGE R. CLERK, MINISTER FOR FOREIGN AFFAIRS, ANKARA, DATED THE 3RD SEPTEMBER, 1930.

I have the honour to inform you that, pending the negotiations and conclusion of a Treaty regulating the commercial relations between Turkey and India, the Government of the Turkish Republic, in order to avoid any impediment to the trade and commerce between the two countries on the lapse of the *modus vivendi* brought into force by an exchange of notes on the 2nd July, 1929, to which India adhered on the 1st August, 1929, undertake, on condition of reciprocity, to accord, as from the expiration of the above-mentioned *modus vivendi*, to goods the produce or manufacture of India a treatment in Turkey which shall be as favourable in all respects as that accorded to goods the produce or manufacture of the most-favoured foreign country. This treatment shall be accorded in all matters of commerce and navigation and as regards importation, exportation and transit, and in general all that concerns customs duties and formalities and commercial operations.

2. It is understood that the treatment of the most-favoured foreign country stipulated in the preceding paragraph will not embrace the special advantages which are or may in the future be accorded in customs matters by Turkey to countries detached from the Ottoman Empire under the Treaty of Lausanne of the 24th July, 1923.

3. In India and in the territories under the administration of the Government of India Turkish nationals, and in Turkey nationals of British India and of territories under the administration of the Government of India, will have the right to travel freely, to establish themselves and to acquire movable and immovable property under the same conditions as the nationals of the most-favoured foreign country.

4. The undertakings contained in this note will take effect as from the expiration of the *modus vivendi* mentioned in paragraph 1 above, and will remain in force for a period of six months at least, it being understood that the undertakings may be terminated by either party by giving three months' notice at the end of the third month or at any time subsequently. Failing such notice and subject to the aforesaid right of termination they will remain in operation until the entry into force of the Treaty of Commerce which is now to be negotiated, as from which date they will *ipso facto* cease to be effective.

I avail myself of this opportunity to assure Your Excellency of my highest consideration.

THE HONOURABLE SIR JOSEPH BHOKE (Industries and Labour Member) : Sir, in view of what His Excellency has just said in his address to the two Houses and in view of His Excellency's meeting with representatives of the Legislature, I would ask you to adjourn the House until 2-30 this afternoon before which time Government will not now be in a position to lay certain essential business before the House.

The Council then adjourned till Half Past Two of the Clock.

The Council re-assembled at Half Past Two of the Clock, the Honourable the President in the Chair.

MESSAGES FROM HIS EXCELLENCY THE GOVERNOR GENERAL,

INDIAN FINANCE BILL.

THE HONOURABLE SIR ARTHUR MCWATTERS (Finance Secretary) : Sir, I have a Message from His Excellency the Governor General.
(The Honourable Sir Arthur McWatters then handed the Message to the Honourable the President.)

THE HONOURABLE THE PRESIDENT : The Message is as follows :

"Whereas the Legislative Assembly has failed to pass in the form recommended by me the Bill to fix the duty on salt manufactured in, or imported by land into, certain parts of British India, to vary certain duties leviable under the Indian Tariff Act, 1894, to fix maximum rates of postage under the Indian Post Office Act, 1898, to vary the excise duty on motor spirit leviable under the Motor Spirit (Duties) Act, 1917, to fix rates of income-tax and super-tax, to vary the excise duty on kerosene leviable under the Indian Finance Act, 1922, further to amend the Indian Paper Currency Act, 1923, and to vary the excise duty on silver leviable under the Silver (Excise Duty) Act, 1930, a copy of which Bill in the form recommended by me is hereto annexed ;

Now, therefore, I, Edward Frederick Lindley, Baron Irwin, in exercise of the power conferred by sub-section (1) of section 67B of the Government of India Act, do hereby certify that the passage of the said Bill is essential for the interests of British India.

IRWIN,

Viceroy and Governor General

The 27th March, 1931."

Further Message :

"In pursuance of the provisions of sub-section (1) of section 67B of the Government of India Act, I, Edward Frederick Lindley, Baron Irwin, do recommend to the Council of State that it do pass the Bill to fix the duty on salt manufactured in, or imported by land into, certain parts of British India, to vary certain duties leviable under the Indian Tariff Act, 1894, to fix maximum rates of postage under the Indian Post Office Act, 1898, to vary the excise duty on motor spirit leviable under the Motor Spirit (Duties) Act, 1917, to fix rates of income-tax and super-tax, to vary the excise duty on kerosene leviable under the Indian Finance Act, 1922, further to amend the Indian Paper Currency Act, 1923, and to vary the excise duty on silver leviable under the Silver (Excise Duty) Act, 1930, in the form hereto annexed.

IRWIN,

Viceroy and Governor General.

The 27th March, 1931."

The Messages are endorsed on a copy of the Bill.

(The Messages were received by the Members of the Council standing.)

INDIAN FINANCE BILL LAID ON THE TABLE.

SECRETARY OF THE COUNCIL : Sir, in pursuance of the provisions of section 67B of the Government of India Act, I lay on the table copy of the Bill to fix the duty on salt manufactured in, or imported by land into, certain parts of British India, to vary certain duties leviable under the Indian Tariff Act, 1894, to fix maximum rates of postage under the Indian Post Office Act, 1898, to vary the excise duty on motor spirit leviable under the Motor Spirit (Duties) Act, 1917, to fix rates of income-tax and super-tax, to vary the excise duty on kerosene leviable under the Indian Finance Act, 1922, further to amend the Indian Paper Currency Act, 1923, and to vary the excise duty on silver leviable under the Silver (Excise Duty) Act, 1930, which the Legislative Assembly has failed to pass in the form recommended by the Governor General and which has been certified under the provisions of the same section by the Governor General as essential for the interests of British India.

THE HONOURABLE SIR ARTHUR McWATTERS (Finance Secretary) : Sir, I am giving notice of my intention to move that the Finance Bill, which has just been laid on the table of this House, be taken into consideration and also that the Bill be passed. I wish to ask your orders as to the time when these motions may be taken up. The only observation which I desire to make is that it is important from the point of view of Government revenues that the Bill should be passed by Monday evening, as the 30 days provided under the Provisional Collection of Taxes Act will expire on that day and, unless the Bill is passed by Monday evening, we shall have to refund the extra revenue collected during the month of March.

THE HONOURABLE SIR MANECKJI DADABHOY (Central Provinces : Nominated Non-Official) : Sir, I beg to suggest that the rules of business be suspended and this Bill be taken up for debate on Monday next. The usual rule requires three days for the Bill to be on the table, but as this is an important Bill, and as since it has already been suggested that Government will lose a large amount of revenue if the Bill does not become law by Monday evening, it is necessary that the discussion on the Bill should proceed immediately. As there will be many speakers also on the Bill, if you, Sir, are agreeable, I beg to suggest that the debate should begin at 10 o'clock on Monday.

THE HONOURABLE MR. ABU ABDULLAH SAIYID HUSSAIN IMAM (Bihar and Orissa : Muhammadan) : Sir, I wish to endorse the remarks of my Honourable friend. If this Bill is hurried quickly, we will not be able to say anything about it. It will be necessary to begin the discussion early so that the Bill might be properly taken into consideration.

THE HONOURABLE THE PRESIDENT : I think I have very little option in the circumstances of this case but to direct that the consideration of the Bill shall be put down for Monday.

MOTION FOR THE ELECTION OF TWO NON-OFFICIAL MEMBERS TO THE STANDING COMMITTEE FOR THE DEPARTMENT OF EDUCATION, HEALTH AND LANDS.

THE HONOURABLE SIR FRANK NOYCE (Education, Health and Lands Secretary) : Sir, I beg to move :

"That this Council do proceed to elect, in such manner as the Honourable the President may direct, two non-official Members to serve on the Standing Committee to advise on subjects, other than 'Indians Overseas—Emigration' and 'Haj Pilgrimage', dealt with in the Department of Education, Health and Lands."

The motion was adopted.

THE HONOURABLE THE PRESIDENT : Nominations will be received up till 11 o'clock on the morning of Monday, the 30th March, and if an election is necessary, the election will have to take place on the next official day thereafter.

RESOLUTION *RE* REGULATION OF THE HOURS OF WORK IN COMMERCE AND OFFICES, HOTELS, RESTAURANTS, ETC.

THE HONOURABLE SIR JOSEPH BHOORE (Industries and Labour Member) : Sir, I beg to move the following Resolution :

"That this Council having considered the following Draft Convention and Recommendations adopted by the Fourteenth Session of the International Labour Conference :—

- (1) Draft Convention concerning the regulation of hours of work in Commerce and Offices ;
- (2) Recommendation concerning the regulation of hours of work in hotels, restaurants and similar establishments ;
- (3) Recommendation concerning the regulation of hours of work in theatres and other places of public amusement ; and
- (4) Recommendation concerning the regulation of hours of work in establishments for the treatment or the care of the sick, infirm, destitute or mentally unfit ;

recommends to the Governor General in Council that he should not ratify the Draft Convention nor accept the Recommendations."

Sir, in moving this Resolution I should like to explain that we are bound, in ordinary circumstances within one year and in special circumstances within 18 months of the date of the Conference at which these Draft Conventions and Recommendations are adopted, to bring them before the Indian Legislature for ratification or for authoritative non-acceptance. In pursuance of that obligation I am making this motion to-day. So far as the Convention is concerned, Sir, I think the matter is a fairly simple one. If we accept a Convention we have to accept it *in toto*. We cannot adhere to one part of it and dissociate ourselves from another part of it. If therefore any part of a Convention, however small a portion of the whole it may be,—if any part of such a Convention is unacceptable to us we have no option but to reject the entire Convention. Now, I think that the House will agree with me that so far as this particular Convention is concerned, we have no option but to reject it. Before we begin to think of regulating hours of work in establishments and employments so varied as those which fall within the ambit of the elastic formula adopted in the Convention, we should have information, which we do not possess, in regard to the conditions prevailing in the numberless variety of cases which it is proposed to cover in the Convention under the designation Commercial and Trading Establishments. If we desired any justification for our contention we should find it in the attitude of the Labour British Government which has refused to ratify this Convention until it has examined the conditions prevailing in the various classes of occupation covered by the Convention and in which the hours of employment are as yet unregulated. I come next, Sir, to the case of the Recommendations. These Recommendations are that special inquiries should be made to ascertain the conditions prevailing in hotels, restaurants, boarding houses, clubs, cafés and similar establishments which are exclusively or mainly engaged in providing board and lodging or supplying refreshment for consumption on the premises, in theatres, music halls, cinemas and places of public amusement generally, whether indoor or

outdoor, and in establishments for the treatment or the care of the sick, infirm, destitute or mentally unfit. The reasons, Sir, why I am advising this House not to accept these Recommendations are briefly these. Inquiries in regard to the conditions prevailing in so varied a list of establishments and undertakings would necessarily involve heavy expenditure. That expenditure must fall upon Provincial Governments and I think it would be unfair without their consent to bind them to such investigation. So far as we are able to forecast the views of Provincial Governments, there seems little likelihood that they will agree to such enquiry. Moreover, Sir, unless we have definite *prima facie* evidence to suggest the need for such an inquiry—and I may say definitely we have no such evidence—we feel that we should not be justified in starting a roving investigation which may unsettle the relations of employer and employed, on the mere chance of our finding defects. There is a strong and growing labour movement in this country. There are trade unions whose vigilance in matters pertaining to conditions of work can be relied on. There are provincial Legislatures and Local Governments who are not unmindful of the claims of labour to fair and just treatment. If any of these authorities brought to our notice the existence of conditions necessitating investigation we should certainly take cognisance of the matter. The point that I wish to emphasise here is that the non-acceptance of these Recommendations does not commit us to inaction. If at any time *prima facie* evidence were placed before us which we considered would warrant an investigation, we should certainly reconsider our position.

Sir, I move.

The motion was adopted.

ELECTION OF THREE MEMBERS TO THE STANDING COMMITTEE FOR ROADS.

THE HONOURABLE THE PRESIDENT: Honourable Members will proceed to elect three Members to serve on the Standing Committee for Roads. There are four candidates for the three vacancies, the Honourable Sardar Bahadur Shivdev Singh Uberoi, the Honourable Babu Jagadish Chandra Banerjee, the Honourable Rai Bahadur Lala Jagdish Prasad and the Honourable Nawab Khwaja Habibullah. Voting papers will be handed round and I ask Honourable Members to vote by striking out the name of one Member for whom they do not wish to vote.

(The ballot was then taken.)

THE HONOURABLE THE PRESIDENT: The result of the election is as follows :

For the Honourable Rai Bahadur Lala Jagdish Prasad 27 votes have been cast ; for the Honourable Sardar Bahadur Shivdev Singh Uberoi 26 votes have been cast ; for the Honourable Nawab Khwaja Habibullah 23 votes have been cast ; and for the Honourable Babu Jagadish Chandra Banerjee 16 votes have been cast. I have to declare the first three Honourable Members duly elected.

THE HONOURABLE THE PRESIDENT: It was suggested to me just now by the Honourable Sir Maneckji Dadabhoy that if the consideration of the

[The Honourable the President.]

Finance Bill is taken up on Monday, the Council should meet at 10 o'clock instead of at 11. The Bill is of importance and it is necessary that the consideration and the third reading of the Bill should be concluded on that day. I think the suggestion made to me is a reasonable one. The Council will therefore meet at 10 o'clock on the morning of Monday, the 30th of March.

THE HONOURABLE MR. ABU ABDULLAH SAIYID HUSSAIN IMAM (Bihar and Orissa : Muhammadan) : May I know up to what time notice of amendments can be sent ?

THE HONOURABLE THE PRESIDENT : As early as possible. With regard to amendments, the position is that as the Bill is being taken up within 48 hours of its being laid, obviously the member of Government cannot insist on two clear days' notice ; at the same time no doubt he would hope that Honourable Members desiring to put in amendments would give him as long notice as possible.

The Council then adjourned till Ten of the Clock on Monday, the 30th March, 1931.

COUNCIL OF STATE.

Monday, 30th March, 1931.

The Council met in the Council Chamber of the Council House at ten of the Clock, the Honourable the President in the Chair.

MEMBER SWORN :

The Honourable Mr. Harry Graham Haig, C.S.I., C.I.E. (Home Department : Nominated Official).

BILL PASSED BY THE LEGISLATIVE ASSEMBLY LAID ON THE TABLE.

SECRETARY OF THE COUNCIL : Sir, in accordance with rule 25 of the Indian Legislative Rules, I lay on the table copies of a Bill further to amend the Indian Factories Act, 1911, for a certain purpose, which was passed by the Legislative Assembly at its meeting held on the 28th March, 1931.

INDIAN FINANCE BILL.

THE HONOURABLE SIR ARTHUR McWATTERS (Finance Secretary) : Sir, I beg to move that the Bill to fix the duty on salt manufactured in, or imported by land into, certain parts of British India, to vary certain duties leviable under the Indian Tariff Act, 1894, to fix maximum rates of postage under the Indian Post Office Act, 1898, to vary the excise duty on motor spirit leviable under the Motor Spirit (Duties) Act, 1917, to fix rates of income-tax and super-tax, to vary the excise duty on kerosene leviable under the Indian Finance Act, 1922, further to amend the Indian Paper Currency Act, 1923, and to vary the excise duty on silver leviable under the Silver (Excise Duty) Act, 1930, in the form recommended by the Governor General, be taken into consideration.

Sir, the Finance Bill of this year as originally introduced contained all the usual features of the annual Finance Bill which I need not specify in detail but it also contained exceptional provisions imposing large increases of taxation under Customs and corresponding excises and under Income-tax calculated to yield under Customs 932 lakhs and 5 crores under Income-tax. As the Bill reaches this House to-day there is one substantial alteration in the Income-tax Schedules. It will be observed that the rates under the first three classes have been reduced by 3 pies in the first grade and 2 pies in each of the other grades, the result of which is to reduce the expected revenue by approximately 105 lakhs. Every Member of this House is no doubt aware of the circumstances in which this Bill has reached this House as a Bill recommended by the Governor General and certified as essential. If I may in a few words repeat the history, the other House passed an amendment reducing income-tax rates

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by an amount approximately of 235 lakhs. His Excellency recommended to that House an amendment which would cost 105 lakhs—the amendment which is now in the Bill—but on a second vote the other House rejected that amendment by 4 votes. This House therefore receives the Bill with the recommendation and the certification of His Excellency the Governor General.

I think that I can do no better than to call the attention of the House to the Message which His Excellency the Governor General gave to the other House when the recommended amendment was first presented to them. In that Message His Excellency fully recognised that the exceptionally heavy taxation which Government is asking the Legislature to agree to this year could be justified only under exceptional circumstances, and that the present circumstances are exceptional I am certain that every Member of this House will agree. We are in a time of great financial difficulty—the whole world is in a time of great financial difficulty—and in India we have been, and still are, faced with the peculiar uncertainties which surround the constitutional discussions and the doubts which some feel as to how matters will develop. At any rate, I think every one will recognise that in India it is a time for caution. His Excellency went on to say that he recognised fully the strength of the opinion in the other House, which has been shown also by Members in this House, for the utmost economy on the part of Government; and therefore the only question at issue really was what economies could be effected immediately so as to have effect in the Budget of the present year. After considering most carefully all the items again His Excellency came to the opinion that a reduction somewhere in the neighbourhood of one crore could be made. This has been made possible by postponement of programmes of army equipment costing about 60 lakhs—a postponement which the military authorities themselves certainly did not recommend and indeed opposed. But in the special circumstances it has been thought reasonable that there should be postponement of 60 lakhs of military expenditure for one year. In the next place, we hope to be able to make small economies on the civil side of about 15 lakhs. Even here it means cutting out one or two items which we should very much desire to retain in the Budget, such as the improvement of our economic statistics. And finally it means reducing our estimated surplus down to practically nothing; that is to say, using 30 lakhs out of 31 lakhs which we expected to have as surplus. That being the position and it being impossible to foresee any real further immediate economies which could be made in expenditure, it was considered by His Excellency and by the Government that it would be most unsound finance to make further reductions in revenue which would, in effect, leave an uncovered Budget. In making his recommendation His Excellency pointed out that he had taken into account the great desire for economy on the part of the other House, and that he had taken into account, in the form of the amendment, the great desire which had been expressed to lessen the burden of taxation on the poorer classes of income-tax payers. He therefore had endeavoured to meet the views of the other House as far as could be done, taking into account at the same time the essential interests of the Government service.

That, Sir, is a summary of the Message which His Excellency gave. On this I find it impossible to improve. I merely wish to-day to emphasise one aspect of the matter, which indeed is the fundamental issue, namely, the essential necessity of presenting a balanced Budget at the present time. It has been said that the amount at issue is not extraordinarily large—a matter of 130 lakhs. It is not a very small figure. But the point which I wish to make is that this is a matter of principle, and further that the mere presentation

of an unbalanced Budget, even by the sum of 130 lakhs, is likely—in fact, I feel it is certain—to injure the credit of the country, and therefore the amount that you will lose through the deterioration of your credit will be a very much larger sum. If you do that, not only people in this country but people outside will think that you are starting on the slippery slope by which you leave your Budget unbalanced, and they will conclude that you are following the example of numerous other countries which have begun in the same way and which have continued the process and ended by destroying their monetary standard. I feel certain that the outside world, and the world in India too, will think that this is the first step. It will not be a matter of 130 lakhs. Your losses will be very much larger through the deterioration of your credit, and that, Sir, is why the Government attach such importance to covering the Budget truly and soundly at the present time. I would like to lay great emphasis upon the ways and means position and on its connection with the revenue position. It is not merely a question of a small revenue deficit. As the House knows, we have at the present time a ways and means position with a much larger volume of floating debt than is desirable. We have to face the possibility next year that if agricultural conditions do not improve, still more if they deteriorate, there will be a large demand upon our ways and means for giving further relief in the provinces, because the House will remember that we in the Government of India are the bankers of the provinces. We are the bankers also of the Railways and the Post and Telegraph Department and there are uncertain liabilities which may fall upon our ways and means; and therefore, the point which I wish to make most strongly to this House is that there is no room for manœuvring in the present position and there is no justification for taking great risks. I feel certain that the House is with me on this point, namely, the necessity of presenting a soundly balanced Budget, and I am counting on the unanimous vote of the House in this matter, because I feel certain that if this Bill is passed to-day by the unanimous vote of this House, it will do a great deal to improve the credit of the country and it will help us enormously. Before I sit down, I should like to say that I think that we in the Government of India owe the House an apology. As so often happens, the Finance Bill reaches this House with only a day or two—in this case only a day—for its discussion before the Bill must be passed unless we are to lose the revenue which we have collected during March, and the moral which I draw from this is that the Provisional Collection of Taxes Act requires to be amended. That Act allows 30 days from the date of the introduction of the Bill. When that Act was first passed there was only one House. There are now two Houses, the Legislative Assembly and the Council of State, and therefore it would be quite reasonable that a further period should be added in the Provisional Collection of Taxes Act to allow for the longer procedure which must now inevitably occur before the Bill reaches its final stages in both the Houses. It is a matter which, I think, wants examination. The fact that this House has always been rushed for the last two or three years is, I think, proof that the Provisional Collection of Taxes Act requires re-examination. That, Sir, is by the way. I hope, as I said before, that I shall have the unanimous support of this House in passing this Bill.

THE HONOURABLE MR. BIJAY KUMAR BASU (Bengal: Nominated Non-Official): Sir, before I proceed to make my remarks on the Finance Bill may I ask for the indulgence of the House to bear with me if I confine my review to a standpoint which may well appear to be a tiresome and wearisome monotony. My Honourable friends will remember that I approached the Railway Budget from the standpoint of the ways and means position of

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the Central Government. They will also recollect that I discussed the General Budget also from the ways and means position, and I propose to-day to deal with the Finance Bill in reference also to ways and means. I will readily concede that however unusual that standpoint has been in the deliberations and discussions on the Budget in this House, I at any rate have made it stale and, if I may say so, hackneyed.

I would, however, like to urge that there have been certain significant developments of a far-reaching character in the past few weeks which, if I may say so, lend point and emphasis to the remarks that I have to make on the Finance Bill from the standpoint of the ways and means position. Speaking, Sir, in the first week of March, I drew the pointed attention of the Honourable the Finance Member to the serious conundrums which he has to solve in reference to the ways and means adjustments. These were the words I used :

"If my analysis of the ways and means problem with which Government are now faced is correct—and I believe it is so—this is a situation which requires immediate tackling and for which drastic remedies are needed and against a recurrence of which every possible measures should be taken."

The Finance Member is to be congratulated that within this short interval the situation has been tackled and the remedy has been found. But, Sir, if the current features in the financial world are carefully analysed and properly understood, I should add that while the Finance Member deserves our congratulations, it is Lord Irwin and Mr. Gandhi who deserve our thanks. When I say this, I mean—and every one of us will agree—that, but for the instantaneous and gratifying effects which the Irwin-Gandhi settlement has had on certain aspects of the financial situation, the crisis in the ways and means position, which I had apprehended early in the month, might have at this time reached an extremely acute phase. At the time when I appeared in the role of a Jeremiah in this House the position was this : The cash balance of the Government with the Imperial Bank was very low. The prospects of replenishment of the Treasury through revenue realisations were nil ; as for the prospects of securing the needed funds by sale of Treasury Bills, the most outstanding fact was that for a good many weeks prior thereto renewals of bills were fetching smaller and smaller amounts. On the other hand, the maturities that have to be met in respect of the floating debt were heavy and were also such that should have to be met at all costs. I also pointed out at the time that the cash position of the Imperial Bank itself was by no means satisfactory, that the ways open to it to augment its cash were restricted and that therefore the capacity of the Bank to come to the rescue of the Government was extremely limited. In so precarious a position relief should have come by one and only one means, namely, more copious receipts from sales of fresh bills until the monsoon months when Government should have floated a substantial rupee loan and funded a portion of the short-term debt. The offering of higher and higher rates of interest for three months' accommodation could not perform the trick of decoying more funds into the coffers of the Treasury. As a matter of fact this experiment of making the interest-yield more and more attractive was in the nature of a disaster. It may be said that the very increase in the rates was responsible for the reserve with which bankers were renewing their short-term investments. It was not the material inducement of a higher interest-yield but the psychological influence of greater confidence that alone could bring about a transformation in the attitude of bankers towards Treasury Bills. I maintain, Sir, that the conclusion of the

settlement between Lord Irwin and Mr. Gandhi had exactly this psychological influence. Almost from the very moment this settlement was concluded London investors began to re-enter the Indian market for rupee Treasury Bills. So persistent and so keen has been the interest of the London operators in this respect that between the conclusion of the settlement and now the Government have been able to secure no less than about 16 or 17 crores, an amount which is so big and which has improved the cash position of the Government so suddenly and so satisfactorily that the Finance Member should now have no difficulty in meeting the heavy maturities of this month. If the same luck attends the Finance Member in April also, he should be able to meet comfortably the 20 crores and odd that becomes payable in April. This, Sir, is so gratifying a transformation in the ways and means position—a transformation that has been as hydra-headed as it has been unexpected that the Finance Member who had had a 12 month of considerable stress and strain and who was, so to say, nerving himself to even greater stress and strain for the coming 12 months, should now feel considerably relieved. I offer my heartiest felicitations on so favourable a turn in his tide of affairs. This reminds me of the famous lines of Julius Caesar and of the implicit warning they convey: "There is a tide in the affairs of men, which taken at the flood leads on to fortune." The Finance Member has got such a tide, but he cannot hope to be led to fortune....

(At this stage an Honourable Member sitting near the speaker left his seat and returned to it almost immediately.)

THE HONOURABLE THE PRESIDENT: I wish to invite the attention of the Honourable Member who has just left the House and immediately returned that it is very inconsiderate to an Honourable Member who is speaking when Members who are sitting next to him or quite close to him leave their seat and return again. It is more than a mere question of passing between an Honourable Member who is on his feet and the Chair. All Honourable Members know that that is out of order, but in this Session it has frequently happened that when one Honourable Member is speaking the Honourable Member sitting next to him gets up and leaves the House and then possibly very shortly comes back to his seat again.

The Honourable Mr. Basu.

THE HONOURABLE MR. BIJAY KUMAR BASU: Sir, as I was saying, the Finance Member has got such a tide now, but he cannot hope to be led to fortune unless he actively and opportunely takes it at the flood. Casting off the figure of speech, I may state the issue thus. What are the measures which Sir George Schuster should now take to consolidate and reap the fullest benefits of the great gains which have been won in the financial world as a result of the Irwin-Gandhi settlement? It is true that the situation has been tackled. It is true that some kind of remedy has been found. But what are the measures now to be taken against the recurrence of a crisis of this character? This is the issue which should engage the immediate, earnest and complete attention of the Finance Member. As I said in my speech on the General Budget, there can be no enduring solution to the ways and means difficulties of the Central Government until and unless the short-term debt is brought to more manageable proportions, and until and unless Government's credit is rehabilitated to an extent that will allow of their securing both their short-term and long-term requirements on easy and comfortable terms. In a sense these two conditions are inter-linked. The present floating debt of the Government is about 52 to 53 crores. I would suggest that at least half of this

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should be funded. A careful perusal of those portions of the Budget which appertain to the Government's borrowings will make it clear that the Finance Member himself had had some such idea in his mind. He assumed that the amount of the Treasury Bills outstanding at the end of the year will be the same as at the beginning of the year, namely, 45 crores. But he adds :

"I hope however that conditions will be sufficiently favourable to enable Government to fund a portion of this floating debt, and as far as I can see at present, there should be no difficulty in accomplishing this without disturbing the market for Government securities."

I suggest, Sir, that with these favourable developments in the financial situation it should no longer be a question of hope. The Finance Member should resolve now and here that he shall take all measures necessary for the successful issue of a long-term rupee loan, big enough to meet his capital requirements as well as to yield him about 25 crores towards the short-term debt. If the Finance Member is to achieve this, and he himself admits that he should achieve this without disturbing the market for Government securities, he should certainly give serious and favourable consideration to the proposal that was made in the other House by the Honourable the Deputy President for the utilisation of the debt redemption fund for an active policy of substantial open market purchases of Government securities as and when the gilt-edge prices sag. The immediate problem of the Finance Member is therefore to address himself to such measures as would maintain and improve the new vitality that has come into the market for Government securities, and if he takes proper, adequate and scientific measures to this end he should have no difficulty in floating a rupee loan of, say, 40 to 50 crores in June, and thereby end once and for all the teasing conundrums in regard to the ways and means position. These conundrums have not only teased the Finance Member, the Finance Member, in his turn, has teased the market with them. I would therefore appeal to him both in his own interest and in the interests of the Indian financial world that he should tackle the situation with expert skill and constructive statesmanship, qualities which, I am sure everyone will agree, Sir George Schuster possesses in an eminent degree.

Before I conclude, Sir, I cannot but refer to another matter of a more general interest, namely, the unfortunate circumstances which led to the certification of this Bill. If only the advisers of the Governor General had given him such advice as was expected of them, namely, to have had the conference with the Leaders of Parties in the Central Legislature before making his recommendation, I have reasons to believe, that the catastrophe—and I advisedly use that expression—could have been averted. I am sure no Indian Member of either of these Houses would have stood in the way of an easy settlement if not for anything else but to meet Lord Irwin's wishes for whom they have not only the highest respect and esteem but love and affection in an extraordinary degree. I am sorry, Sir, that on the eve of his departure Lord Irwin was so badly advised in such a serious matter.

THE HONOURABLE SIR MANECKJI DADABHOY (Central Provinces : Nominated Non-Official) : Sir, though I propose to support this Bill, I must point out that I would be failing in my duty both to Government, whose nominee I am in this Council, and also to the country at large, if I did not speak out my mind fully and unreservedly to-day. This Finance Bill, as all Honourable Members are aware, is unprecedented in its character so far as it imposes a colossal volume of taxation. During my 20 years' presence in the

Supreme Council, the late Imperial Council and in the Reformed Council, I must confess I never came across a Finance Bill in which in one year taxation to the tune of 15 crores was sought to be imposed. Further, I do not even believe since the time when the transfer was made from the East India Company direct to the Crown that there ever has been levied taxation to such a large extent in any single year. It has been my misfortune for the third time to support a certificated Bill like the present one. I do not blame the Governor General for having certified the Bill as my friend the Honourable Mr. Basu has done and bringing it forward before this House under such circumstances. On the other hand, I do not blame the Legislative Assembly which insisted on a reduction of Rs. 240 lakhs in the matter of Taxes on Income. The Legislative Assembly accepted huge taxation to the extent of nearly Rs. 10 crores under the head Customs, but refused to vote for the amount of taxation required in the matter of Incomes and insisted on a cut being made to the extent of Rs. 240 lakhs. It was ultimately agreed by Government that Rs. 1 crore should be given away; but I do think the Assembly to a certain extent was perfectly justified in insisting that Rs. 240 lakhs should be reduced in order to exercise pressure on Government and to insist on their entering immediately on a broad policy of drastic retrenchment. Even this Assembly has been a body of co-operators and even Lord Irwin in the Message which he sent to that House admitted this and realised that the Assembly had readily accepted taxation to the extent of Rs. 12½ crores. It is just our position in this House, Sir. I wish to point out to this Council that this policy of taxation has gone on too vigorously and indiscriminately during the last few years. I do not propose to take this Council into the financial history too many years previous to this. I can only point out what has happened during the term of office of Sir George Schuster, but I should not be misunderstood. I do not for a moment blame Sir George Schuster for this heavy taxation. He has become a victim of circumstances, rather to the policy of the Government of India as a whole in the past. Since the Reforms came into existence in 1921 in ten years the Government had imposed Rs. 40 crores of new taxation and when Sir Basil Blackett gave up the charge of his exalted office, he pointed out to this Council that he had then succeeded in balancing the Budget and bringing about an equilibrium and a happy adjustment of the receipts and expenditure of the Government of India and then finally he led us to hope that in the next year and the years to follow the tax-payers might look forward to a remission of taxation and that there would be no further necessity for taxing the country. I cannot do better than draw the attention of this Council to the Budget statement made by Sir Basil Blackett in 1928-29. In taking his farewell he stated :

“ From 1929-30 onwards, it will be the privilege of this House and of my friend and successor Sir George Schuster, whose acceptance of the post is a matter of great personal satisfaction to me, to find no outside claimant to the recurring surpluses which I hope it will be their good fortune to enjoy in the coming years, and they will be free to turn their minds on the one hand to new directions in which money can be usefully laid out for India's advancement, and on the other hand to the readjustment of the burden of taxation and to those reductions of taxation so welcome to tax-gatherer and tax-payer alike.”

Unfortunately, Sir, the prophecy of Sir Basil Blackett has not been fulfilled. In the first year of the office of Sir George Schuster there was a deficit Budget. He found a deficit to the extent of 104 lakhs and he balanced the Budget in 1929-30 by swallowing up our revenue reserves which had amounted to 104 lakhs. That was a deficit Budget and, had it not been for the assistance which he had derived from the revenue reserves we would have been involved in

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some measure of taxation. He then sounded a note of warning that next year he would go in for taxation if circumstances required. The following year, Sir, that is, when Sir George Schuster presented his Budget in 1930-31, he showed a deficit of Rs. 410 lakhs which he sought to make up by various taxation proposals under the head Customs as well as by an increase in Taxes on Incomes to the extent of 1 pie. I shall not say or refer to the reception which that measure then received. And this year in 1931-32 there has been a deficit of 18 crores, part of which, about 270 lakhs is to be made up by small cuts in the Military Budget and a little cut of 98 lakhs in the Civil Budget and the country has been asked to vote for a maximum measure of taxation to the extent of 15 crores. I submit that it would be apparent to this Council that in the last three years the Government have imposed taxation to the extent of 20 crores on this poor country. There is always a limit to man's forbearance, man's toleration ; there is a limit, Sir, to any form of taxation. India cannot possibly stand this colossal taxation with equanimity, it cannot possibly stand without ruination of her own indigenous industries, without ruining her trade, her commerce and her dealing between man and man. The tremendous increase of taxation imposed upon the higher ranges of income is a serious drawback, for large incomes are the reserves of capital. While there is one redeeming feature of English taxation that though it is oppressive it allows for refunds and rebates for families and children, India does not make any such allowances nor does it permit, as in other civilised countries, to carry forward losses to previous years. It is in this way that this taxation is very irksome and is of a very excessive and irritating character. Any measure which discourages enterprising men to accumulate savings must in the long run diminish the total wealth of the nation. Sir, the gap of 15 crores has been attempted to be bridged in two ways—under Customs and Taxes on Income. Under Customs, taxation to the tune of 10 crores has been raised under this Bill. It is a very excessive taxation. Customs duties have been enlarged. One redeeming feature of this Budget is that instead of raising permanently these taxes, these increases have been sought by a system of surcharges. There is some hope, there is some implication in that that the Government will see their way to reduce or wholly dispense with these surcharges at an early date. What happens in the matter of these increases under Customs ? It affects one class of people more than anybody else. It affects English people who have to live on imported articles, it affects Indians in India living in English style as they have to pay increased rates for their food, for their clothes and other imported articles. In view of these circumstances it is necessary that this measure of taxation should be substantially reduced at an early date. I do not propose to go into an elaborate discussion of the various taxes which have been proposed under this Bill. I would only refer to two—the duty on piece-goods and on silver. My personal opinion is that the duty on silver could have been safely raised from 4 annas to 8 annas and not 6 annas, and I do not understand why there has been compunction on the part of Government to have done this. It would not have affected the consumption of silver in this country at all. Sir George Schuster has himself pointed out that in the last six years over 650 million ounces of silver have come to this country. Every year this country absorbs 100 or 110 million ounces of silver. Silver is a sort of saving of the people ; peoples' money is put in silver as savings. Mexico and other places have been raising promiscuously large quantities of silver which are imported into this country. Even if the tax had been raised to 8 annas, instead of raising the super-tax, I think, the Government would have got what it practically wanted, without causing any disturbance in trade or in

the monetary policy of Government or in the currency policy of the country. However, I am very pleased to find that the duty has been increased on silver, and I quite agree with Sir George Schuster that the question of silver cannot be dealt with in isolation and the request made by the representatives of silver interests in America is one which could not possibly be acceded to. Sir George Schuster was perfectly correct in ignoring this request, and unless an international conference takes place, where the silver question could be fully and completely discussed and in the interests of India decided, I think Government is right in gradually selling its existing stocks.

As regards piece-goods I am glad that Government have at least seen their way to put a further surcharge of 5 per cent. despite the opposition of Lancashire and people at home. In fact, we had brought to the attention of Government last year, when they raised the duty from 11 to 15 per cent. on piece-goods, that the duty ought to have been raised by another 5 per cent. at least. The Government, despite the 15 per cent. duty and 5 per cent. protective charge, have not been able to stop the Japanese extensively importing cloth into India and competing with the Indian mills. This aspect of the case is certainly worthy of commendation.

Sir, I support this Bill for several special reasons. Though it causes a heavy burden on the tax-payer, I support this Bill because I feel that unless we unanimously pass this Bill to-day the credit of the country will be impaired. I am anxious to see that the credit of this country at this most critical moment, at this most historical juncture, should in no way suffer by any obstinacy on the part of this Council to meet the full demand of Government. Because I feel that our financial position demands a balancing of the Budget I support this Bill. India at present occupies a favoured and privileged position in the monetary markets of the world and especially in England. Her sterling loans, as Honourable Members are aware, have been over-subscribed in England during the last three years. Despite the Congress agitation to enquire into the national debt of this country and to repudiate a part of that debt, India has not failed to meet the demand of Government when they have come out in the open market for money. The palpable and the apparent reason for this is India's great credit, and that credit mainly depends on the balancing of its Budget and the financial position it presents to the country. Again, in view of the impending grave constitutional changes, we must set our house in perfect order. And, finally, I support the Bill on the strength of the assurance that when the emergency ceases these new burdens would be promptly lifted. While, therefore, I support this Bill, I would ask the Government to assure this Council as to the steps it proposes to take before next year for the retrenchment of expenditure. I quite agree with Sir Arthur McWatters that it would be absolutely unreasonable to ask Government this year to make any substantial cuts in the expenditure. I know such hasty action would break up the gear of the machinery; it is impossible for Government to do this immediately. But I do think that the time has come when a policy of wholesale retrenchment on the part of Government is necessary. This Council will not face any other measure of taxation next year; neither the Assembly nor this Council will give support to any such measure unless Government shows its genuine earnestness in having made desirable and necessary general curtailment in its expenditure. The retrenchments which have up to now been suggested are of a twofold character. In the present Bill the military expenditure has been reduced by 170 lakhs. If Sir Arthur McWatters forgives me, I will tell him that postponing of the expenditure required for re-equipment of the military establishments for another year or two is no retrenchment at

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all. I may also tell him that the temporary stopping of the expenditure of money required for the Engineering Services in the Military Department is no retrenchment at all. What will happen is that in the years to come hereafter you will have to undertake this expenditure in addition to the normal expenditure which may then become necessary. I want the military expenditure to be seriously considered. I do not for a moment suggest or urge, as many of my Honourable colleagues in this Council have done, that the total number of European soldiers should be reduced. I do not for one moment agree to that proposition at all. Even to-day, having seen what has happened at Benares and Cawnpore, I think it is absolutely necessary for the safety of India that the 60,000 British troops should be maintained in this country. But I do think that our military expenditure requires revision in another sense. The military expenditure which India incurs is not only simply and purely in the interests of this country. Part of this money is spent in Imperial interests. I therefore think that His Majesty's Government in England should be asked to bear a share of the military expenditure of this country. That is necessary. That is obligatory. India is a sort of gateway to many of her Dominions and the safety of India involves the safety of the Dominions and other places. Another important matter is the cost of protecting the North-West Frontier which in all fairness and justice must be regarded as an Imperial burden. It is also an opportune time to make an impartial enquiry into capitation charges. Therefore it is essentially necessary that His Majesty's Government should bear part of that obligation. I also think, Sir, that the loss on the strategic railways, which is a large sum year after year, should also be borne partly by His Majesty's Government and partly by the Indian States. We are protecting the frontier not only for British India but also for the Indian Princes and Chiefs, and it is obligatory, in my opinion, that they should cheerfully contribute at least to the losses on the strategic railways. It would not be altogether inopportune, Sir, in my opinion, if they are also asked to share a part of the military expenditure of this country. I do hope that at any rate when the Federal Constitution comes into operation, the Indian States will certainly have to bear a good share of the military expenditure which British India has to bear now. I also urge that aviation expenditure should be strictly controlled and kept within reasonable bounds.

As regards civil expenditure, I am of opinion that an immediate inquiry should be made. Since the Lee Commission Report was published and its recommendations were carried out, India has been progressing very rapidly in the extravagance of its civil expenditure. The recommendations of the Lee Commission were passed in a boom time, which was entirely different from the time with which we are now confronted. Those recommendations must be revised in the light of the present state of circumstances. I do not say that any hasty action should be taken. A small committee should be appointed by Government to consider and revise and reconsider those recommendations. The conditions of all services should be thoroughly overhauled and salaries of the new entrants should be fixed on the scales prevailing in other countries. In all departments of Government service men who have attained pensionable age should be pensioned off and economy effected by obtaining younger men on reduced salaries.

Sir, there is one other point to which I should like to refer, and I shall then conclude. I must draw the attention of the Council to the fact that all this heavy expenditure is due not only to the Civil and Military expenditure but also to other causes. Our national debt has been rapidly increasing.

The total debt has risen from Rs. 510 crores in 1914 to Rs. 1,138 crores in 1930, or it has more than doubled in a period of 16 years. Both the rupee and the sterling debts have shown an increase, but the increase has been larger in the case of the rupee debt than in the case of our sterling borrowings. The financing of the capital programme of the Government of India from year to year has in the past been a great strain on the resources of the country. The capital programme must now stop for some time, or I would advise Government to revert to the former practice of allowing railways to be constructed by private enterprise. Personally, when the question was debated a few years ago, I was always for company management and I had fought from my place in the Council on several occasions for company management as against State management which is always more expensive. The State management during the last few years, since the innovation was made, has involved the country in a very heavy capital expenditure which could have been safely left to private enterprise and public spirit both in England and in India. The interest charges, the sinking fund, and the provision we have to make for avoidance of debt are all heavy charges on our Exchequer, and unless something is done in that direction, there is no likelihood of an improvement. Finally, I will appeal to my Honourable friends, especially Rai Bahadur Lala Ram Saran Das and others, who have submitted notices of amendments, not to press them. I will implore them, I will request them to withdraw those amendments, and in these exceptional circumstances, as His Excellency the Viceroy has pointed out, to give the Government by the unanimous consent of this Council what they demand and let us leave it to their honour and to their sense of justice to do what is right for India in the near future.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS (Punjab : Non-Muhammadan) : Sir, being an elected Member, it behoves me to give expression to the feelings of the electorate whom I have the honour to represent here. We have got the greatest respect, esteem, affection and love for His Excellency the Viceroy, Lord Irwin, but we resent the introduction of the certificated Bill and I agree with my Honourable friend Mr. Basu that His Excellency has not been rightly advised (with due deference to those concerned) in certifying this Bill.

(At this stage, the Honourable the President vacated the Chair which was taken by the Honourable Sir Maneckji Dadabhoy.)

The condition of the country is very peculiar in these days as the country is getting poorer every year. This colossal taxation cannot be borne by the people. My Honourable friend Sir Maneckji Dadabhoy has very lucidly put the case against the introduction of this Bill, but his conclusion has not been a logical one. From the arguments he put forward—and the arguments were very strong—the result at which he arrived was rather surprising. Some years ago there was a very heavy deficit in our Budget and the then Finance Member somehow or other succeeded in balancing it without recourse to extra taxation. Now what I find is that the Government insists on not remitting a paltry sum of less than a crore of rupees, which could be easily done by reducing the top-heavy military expenditure and by making retrenchments in the civil expenditure. His Excellency the Commander-in-Chief was pleased to tell us the other day that the saving to the Military Department because of the cheap prices of food-stuffs alone was about 75 lakhs. The offer which the Government now makes of remitting taxation not even to the extent is not a reasonable one. Sir,

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[Rai Bahadur Lala Ram Saran Das.]

in the present condition of the country, when unemployment is growing more and more every day and when the Government itself by retrenchment is throwing thousands and thousands out of employment, it ought not, by extortionate taxation, to add to the present unrest in the country. I want the Government to be popular, and as far as it can it should not be the cause of any further unrest. As the proposed increased taxation cannot be borne by the people I oppose this Bill, and I think that if the Government does not accede to the public demand it will (by forcing up the rate of interest) be discouraging industries which offer the only other means of finding employment for the people and will thereby be adding to the unrest in the country.

THE HONOURABLE MR. ABU ABDULLAH SAIYID HUSSAIN IMAM (Bihar and Orissa : Muhammadan) : Sir, I rise to speak on the Finance Bill. I have no objection to the Bill itself but I have great objection to the procedure that has been followed. Sir, the glorious gift of the English constitution of redress before supply has been denied to us. The subterfuge of certification has taken away what has been conceded by one hand. We are at one with the Government and with the rest of India in our respect and regard for Lord Irwin, and to drag his name into this controversy has not, I should say, been fair. The necessity for certification should have been justified. I find a strange spirit of haggling in a *bunya* fashion in the dealings of the Finance Department. First of all the Honourable the Finance Minister comes forward on the 28th of February with a scheme of additional taxation to the tune of 15 crores. Well, that continues in the field for some time, but on the 26th of this month, when the matter is being considered by the Assembly, seeing the atmosphere, he comes forward and says that he will be content with only 14 crores of additional taxation and will forego one crore of taxation from income-tax. Even then he did not lay all his cards on the table. That is one of our complaints. He still kept 50 lakhs up his sleeve, which was produced at the conference of Assembly leaders and certain selected representatives of this House, with the Finance Member, who then came forward and said he was ready to reduce taxation by a further 50 lakhs. Well, had the Finance Member taken his courage in both hands and consulted the leaders of the opposition and made the point clear to them that the Government were ready to reduce income-tax to the tune of 155 lakhs, there is reason to believe that the Assembly would have consented. From Lobby talks I came to the conclusion that the Independents were ready to compromise with the Government on 175 lakhs ; so that there was only a difference of 20 lakhs which required to be bridged to avoid the existing *impasse*. But some notion of false prestige came in the way and the sense of security which irresponsibility gives was the main barrier which prevented the Government from acceding to the request of the Legislative Assembly. There is another aspect of that matter. While the Government were prepared to reduce by 50 lakhs more, in the form in which the Bill has been recommended to us that 50 lakhs reduction is not included. Only the original 105 lakhs reduction is included which was admitted by the Finance Member in the Assembly. That is one of our objections to the procedure which has been followed. If it was necessary for the Government to impose this amount of taxation, then why did the Government go out of its way to promise a further reduction of 50 lakhs more ? We have only seen the communiqué specifying the amount of 50 lakhs and do not know the details of which it is composed. But the fact now remains that Government is taxing us to the tune of an additional 50 lakhs which according to their own admission was not necessary.

I should now like to draw the attention of the House to the inopportune-ness of the moment for resorting to the procedure of certification. We are in the midst of constitutional evolution. The Round Table Conference is going to sit. There is a great deal of distrust about safeguards and emergency powers, and this is not the time to use a power which was given for use in extreme necessity, for the purpose of bridging a difference in taxation of barely 80 lakhs. The Honourable Sir Arthur McWatters said that it is not the sum which should be looked into, but the policy. We are quite in agreement with that, but the question remains whether a sum of 80 lakhs, which is the only bone of contention, could not have been made up in some other way. I am not going to follow the usual procedure in the discussion of the Finance Bill by speaking on grievances and asking for their removal. The situation in which we find ourselves is a race against time. Therefore I am going simply to suggest one or two ways in which this deficit and even a bigger deficit could have been met.

According to the last report, the currency position is that we have got 57.68 crores of Treasury Bills outstanding, out of which 10.20 crores is in the Paper Currency Reserve. During the year 1925-26 we had 49 crores of Treasury Bills in the Paper Currency Reserve, and had an income of 4.29 crores gross income. The reply will be that we are going to contract the currency to stop the flight of capital abroad. But it is apparent to those who know anything about finance that it is not actual currency that is exported. It is the credit. By contraction of currency the only object gained is that you have kept exchange in your favour and you have kept down the prices of agricultural produce on which more than 80 per cent. of India's population depends. Contraction of currency has been good to this extent that it has kept down our prices; it has increased the interest on the Government loans; it has brought about a sort of nervousness in the money markets, because of the fact that there is no available currency and no available money. The rate of interest has risen for the Government as well as for trade. Contraction has been so great that our metallic reserve is 93.51 per cent. I have got figures for Germany. The metallic reserve of the German Reichstag Bank is 53.5 per cent., of the Bank of France 53 per cent. and of the Bank of England 49.8 per cent. This is the metallic reserve of the three countries which are leaders of finance; and we have got 93.51 per cent. of metallic reserve. It will be said that our metallic reserve is mostly in silver, bullion and silver coins. But we have got a Gold Standard Reserve which is not taken into account in our currency notes issue. Such a big country as India is being carried on with only 157 crores of currency notes in circulation—a country of 350 millions having a currency of 157 crores only. Is that possible in any country except one which has got no responsible administration? Further, this policy of contraction has gone so far that whereas in 1925-26 our income was more than 4 crores, it is now only 60 lakhs. India used to be condemned in season and out of season by economists for the hoarding habit. Now, I find that that habit of India's is adopted even by the Government Benches. They are also for hoarding up all the money they could in the Paper Currency Reserve. We have got 143 crores of rupees and silver and gold bullion in our Paper Currency Reserve. While we are starving and we have no credit in our banks, the paper currency chest is full of money and nobody can touch it.

There is another line in which certain reductions could have been made. I refer to the Army Department. The Army Department has always been condemned by Indians as the Department which spends most money. How far this is justified or unjustified is not debatable here. I simply wish to point out the way in which we could have saved a small amount of money. I refer

[Mr. Abu Abdullah Sayid Hussain Imam.]

to the capitation charges. The history of capitation charges is that as long as we pay the demands of the War Office, the War Office never heeds us. But when the Government of India have taken direct action, it has been acceded to. Now that the Government of India is partially responsible to India they think that everything rests with Indians to do; but when they were irresponsible, they used to do things better. In the years 1870-78 the War Office demanded something like £650,000 for capitation charges and the Government of India for eight years have continuously paid only £400,000, with the result that the British Parliament passed an Act to validate this action of the Government of India. The Incheape Committee Report in their examination of the Army expenses made a specific recommendation about capitation charges :

"We recommend that the conclusion of a fresh regular settlement should be expedited."

And further on they state :

"Subject to due allowance for the potential value to the British Government of returned men available for the Reserve."

It was in 1923-24 that this Report was made. For the last six years no step has been taken. It has not yet come to a regular settlement. We are still following the policy of Lord Asquith of "Wait and see" and we are always paying the demands of the War Office. I should like to draw the attention of the Finance Department to the procedure in the previous years and impress upon them to reduce the demand; then the War Office will consider it better to come to a settlement rather than leave it at what the Government of India is willing to pay. It may be stated, Sir, that the demand that they are paying now is fair. We are paying practically £25 per capita. If the Government want to pay that, I think they should have the courage to state that the present rate is fair; whereas we find that they have not got courage to say that it is a fair rate. They only say that they have come to a provisional settlement, and nothing is said about its fairness. Either they should say that it is a fair settlement and should stick to it, or they should try to reduce it, not merely by saying it, but by reduction in actual payment. Then, Sir, I refer to the transport charges which are leviable mostly on India, barring a sum of £130,000, which is the contribution of the War Office towards the transport charges. That too has been condemned by Indians. On the one hand, when the soldiers are going to India it is necessary that the charges should be borne by India; but they are not sent for our requirements. They go to England for England's requirements; we would be prepared to keep them instead of for 5 years for 10 or 15 years. Therefore it is quite reasonable that the other moiety should be paid by the English Exchequer. Sir, had there been a will, there would have been a way. But the Government have disregarded our views. For a paltry sum of Rs. 80 lakhs a procedure, an obsolete procedure, a procedure that has brought to the British Government in India a great deal of unpopularity, is adopted by the Finance Department. Especially at the present moment, when every action of the Government of India is being looked upon with suspicion, and when everything should have been done with greater regard for the future than for the present, it was really bad advice that the Finance Member gave to His Excellency the Viceroy to certify the Bill. The certification procedure is at the very best a procedure to be followed in extreme emergency and to certify for the sake of 80 lakhs in a Government

of India Budget for more than 100 crores is really going too far. I have got nothing to say whether the Assembly were correct in their procedure or they were not.

THE CHAIRMAN (THE HONOURABLE SIR MANECKJI DADABHOY) : I would request the Honourable Member not to repeat his remarks on the certification.

THE HONOURABLE MR. ABU ABDULLAH SAIYID HUSSAIN IMAM : The procedure of bringing this Bill in a certified form is such that we cannot move any amendment. Any amendment in the Bill automatically takes it away from our House. Therefore we have to abstain from bringing any amendment, but it should not be taken to mean that we are agreeable to this Bill. That is all I have got to say.

THE HONOURABLE MAJOR NAWAB SIR MAHOMED AKBAR KHAN (North-West Frontier Province : Nominated Non-Official) : Sir, it is a matter of extreme regret to find that during the last decade with the exception of two years, we have always had to face deficit Budgets and that in consequence of it the Government of India have always been put to the painful necessity of balancing them by a considerable increase in taxation every year. This increase in taxation on different occasions has reached its climax in the Budget for the next year, and in view of the general depression all over the country, I am afraid the proposed taxation cannot be agreed to without considerable hesitation on the part of those concerned. For instance, the proposed tax on kerosene oil will surely hit hard the poorer classes and especially the agriculturists who are faced with a gloomy situation owing to a general and sudden fall in prices of their products. It will be adding more to their miseries by an additional tax on kerosene oil which is an article of their daily consumption and to a certain extent it is impossible for them to manage without it. Similarly the tax on silver will debar the poor people from buying small articles of this metal which is comparatively cheaper nowadays. Imposition of the proposed tax will certainly cause it to become dearer.

Enhancement of income-tax and super-tax has already considerably affected those coming under its jurisdiction. As Honourable Members are fully aware, this tax was brought into force in the year 1886. Up to 1918 it was assessed by a Tahsildar or the Deputy Commissioner and in that case it was a benevolent assessment, for there was no question of close scrutiny or looking into the accounts of an assessee for this purpose. During the War the yield from this source was not found to be sufficient and it was therefore proposed to have it levied by means of a special department. The super-tax was added as a War measure. Now, Sir, if we pause for a moment to examine into the actual yields of this tax annually, it will be seen that in the year 1911-12 it amounted to something like 2.40 crores. In 1913-14 it was about 3 crores and again in 1915-16 it was also about the same amount. The year 1918-19 brought it to rise to 11 crores on account of the addition to it of super-tax, which was represented by Sir Malcolm Hailey, the then Finance Member, to be exclusively a temporary War measure. In 1919-20 it rose to nearly 22 crores but since the abnormal increase of, say, 17 or 18 crores was understood to be a temporary increase with the sole purpose of meeting the exigencies of War, it was put up with by the tax-paying people in a fair spirit. In 1920-21 it was reduced to 15 crores and later on there were small and gradual increases in it until the year 1929-30 when the income under this heading was placed at 16.70 crores. In 1930-31 it was estimated at a reduced sum of

[Major Nawab Sir Mahomed Akbar Khan.]

15·79 crores and in the Finance Bill under discussion it has again been increased to about 18·50 crores. Honourable Members can therefore see for themselves how the yields from this source have gradually worked up during the last 20 years from 2 crores to 18 crores. To make the matter short, it is undoubtedly a serious inroad on the income of private individuals.

In spite of all this the system to determine the income of an Indian assessee for the purpose of income-tax assessment is greatly at variance with that provided in the English law. For instance, the English law provides for the allowance of family, wife, children and dependents, while there is nothing of the sort in the Indian Income-tax Act. There the married man is allowed a certain allowance for his wife. He is also allowed a reasonable sum for his children of school-going age, while there is no provision to this effect in the Indian Income-tax law. In England there are also provisions of relief for persons without wives and they are given allowances for housekeepers to look after their children and also for dependent mothers or somebody else enjoying their support. All these concessions have been absolutely disallowed here. At the same time it is a peculiar thing to see that in England, which is a country of opulence and wealth, abounding in riches and affluence, the people have only to pay income-tax and no land revenue, whereas in India, where poverty and indigence stares everybody in the face, both the land revenue and income-tax are being enforced at one and the same time. Land revenue which does not exist in England is collected from the agriculturists in India, while income-tax is levied on the business class of people. Now, Sir, nearly half of the produce of the agriculturist is taken from him by way of land revenue and similarly the business man with an income of a lakh of rupees annually has to part with nearly one-fourth of his income in the shape of income-tax. So long as either of these two classes of people run their profession independent of each other, they have to pay either the land revenue or the income-tax, but if an agriculturist, in addition to his cultivation of lands, invests a portion of his capital in a business concern he has to pay both the land revenue as well as the income-tax at one and the same time. Is it not then a pity that an Indian tax-payer should be made to pay both the land revenue and income-tax, while the millionaire in England should be exempted from any demand of land revenue in respect of his culturable lands? He is simply asked to pay his quota of income-tax and nothing else, while the poor Indian is doomed to pay both the land revenue and income-tax. I fail to understand the reason for this differentiation in respect of the tax-payers of England and this country. Justice demands that in accordance with the law prevailing in England the Indian agriculturist should also be exempted from either of these taxes, i.e., he should be asked to pay either his quota of land revenue in respect of his lands, or the income-tax in respect of his business concern. In other words, there should be either the land revenue and no income-tax, or the income-tax without land revenue which the tax-payer should have to pay on all his income irrespective of the question whether it arises from the agricultural produce or the business concern, or from both.

Now, Sir, when the income-tax in India is going to be assessed at such increased rates as are proposed in the Finance Bill under discussion, I think it will be quite in the fitness of things if I ask the Honourable the Finance Secretary to consider the question of these very concessions in respect of the Indian tax-payer. I would also like to submit that the enforcement of the enhanced rates should be given effect to on the clear understanding that the proposed increase in rates is simply a temporary measure and that it will not

be extended for any length of time after expiry of its term of one year as laid down in the Finance Bill. With this assurance on the part of Government I can persuade myself to support the enhanced rates for the purpose of balancing the Budget for the next year. But if these are intended to continue after the expiry of their term of one year in the same manner as the existing rates of income-tax and super-tax are in force in spite of Sir Malcolm Hailey's assurance to abolish the same after the exigencies of the War were made good, I am sorry that I cannot see my way to support the proposed enhancement. Compliance with such an excessive demand can be managed only once for emergency's sake but never for all occasions. Sir, I do not want to take up the time of the Council for long. As regards defence, I support Sir Maneckji Dadabhoy's plea that the defence of India is not only for British India but also for the States and that the States should bear a portion of the expenditure. And not only by the States but also by the people who are permanently settled, because the permanent settlement was made not in this century but long ago, and not only the 40 or 30 years settled provinces but also the permanently settled areas get some advantage out of the defence and I wish that this question should be taken up and they should be made to pay properly for the maintenance of the Army or the strategic railways. Where there are losses, the losses should be distributed in ratio proportion to the settled areas.

THE HONOURABLE SARDAR BAHADUR SHIVDEV SINGH UBEROI (Punjab: Sikh): Sir, my Honourable friend Sir Arthur McWatters has appealed to the House to pass the Finance Bill with a unanimous vote. I may say his word carries great weight with us and we should have been too glad to give our unanimous vote. But, though we owe our duty to the Honourable Members representing the Government who appeal to us to give our vote in their favour, I think we, who are elected representatives of the people, also owe our duty to our electorates to give free expression to our opinions as regards the Finance Bill. I fully realise the circumstances which have compelled the Government to recommend an increase of taxation of more than 15 crores, but I would certainly repeat with all the emphasis that I can command that the burden of taxation upon Indians is already very heavy and I would say that there is no room even for a straw on the back of the camel. Even a little increase in the taxation will certainly be felt very keenly by the people in whatever sphere it is made. But there are taxes which touch the pockets of the people indirectly and taxes which touch the pockets of the people directly. The increase in the customs rates are of course side taxes which do not touch the pockets of the people directly. The increase in the motor duties and petrol, oil and other accessories, and the increase on wines and other articles of luxury touch the pockets indirectly, and I think a man can very well manage to reduce the consumption of petrol by not using his motor car or by postponing the purchase of a new motor car for another year in view of the special circumstances. Now the question centres round the increase in the income-tax, and the question is between the figure of 130 lakhs as has been stated by our friend Sir Arthur McWatters and about 80 lakhs which has been worked out by another friend, the Honourable Mr. Hussain Imam. Whilst we do not wish that at this last moment we should throw out the Finance Bill and put the Finance Department, the Finance Secretary and the Finance Member to serious embarrassment, we still think that if an earnest attempt is made—I do not say that it has not been made—there is room for retrenchment for balancing the Budget. I fully endorse the view that an unbalanced Budget takes away the credit of the country to a great extent.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Where there is a will there is a way.

THE HONOURABLE SARDAR BAHADUR SHIVDEV SINGH UBEROI: I quite endorse this remark of my Honourable friend "where there is a will is a way". I was just saying, Sir, that I endorse the view that a balanced Budget has great effect on the credit of a country and serious attempts ought to be made by those who are responsible for presenting the Budget to see that the Budget is balanced so as not to impair the credit of the country whose salt they eat. I would like to draw the attention of Honourable Members to a few items which I could hurriedly find out from the Budget statement in support of the contention that there is still room for some retrenchment in expenses. Of course the existence of a heavy military expenditure has provided the target for the attack in this House as well as in the other House for many years. I do not think that it would be possible to retrench the Army at this moment, within the short span of six months since the Government came to know of the fall in the income on Customs. I dare say the Honourable the Finance Member is quite cognizant of the fact that during the last six months, Customs had begun to fall. They say that this is on account of the political agitation, but opinions differ. Some say it is on account of the fact that the purchasing power of the Indians is very much reduced. That is why they do not find themselves in a position to go in for costly things. It may be due to both causes. Now, as regards retrenchment in the expenses of the Army, I would certainly endorse the view which has been expressed by my Honourable friend, who is now occupying the Presidential Chair, and by my Honourable friend Major Nawab Sir Mahomed Akbar Khan that the defence of India is not only the defence of India but also of the British Empire as a whole, and that it is not inequitable for Indians to press upon His Majesty's Government in England to share the cost of the defence of India, because, as I have said, the defence of India means the defence of the Empire and the colossal expenditure incurred for the maintenance of this Army can be reduced if the British Government agrees to contribute to the expenditure of the Army maintained in India. There are a few other items which I hurriedly found out, to which I would like to draw the attention of the House and of the Honourable the Finance Secretary. Of course, it is a longstanding complaint of the Members of this House that they are called upon to discuss the Finance Bill with a notice of one day only. It is not fair to the Members of this House. This year and in two or three previous years only one day's notice has been given to this House to come and discuss the Finance Bill. It has also been said by the Honourable the Finance Secretary that if this Bill is not passed to-day, Government would lose the revenue which they have collected in the month of March. This is a consideration which also weighs in our minds. The first item I would refer to is Taxes on Income. That is expected to produce Rs. 18,49,54,000 for the ensuing year, an increase of Rs. 2,69,71,000. But on the expenditure side there is an increase of Rs. 1,75,000 also, and I have not been able to find out why, when there is an increase in the income-tax only because of an increase in the rates, there should be an increase in the cost of collection. Apart from that, this Department in recovering 18 crores spends 77 lakhs in collection, and it appears on the face of it to be an expensive Department. I think there should certainly be room for cutting down collection charges in this Department to some reasonable extent, and I am not able to find the reason for the increase of Rs. 1,75,000 in the collection charges. Similarly, for Customs collection charges, page 11 of the Budget statement, there is an increase of Rs. 1,75,000. It may be that the increments due on account of the graded pay of the establishment is responsible for this

increase, but it ought to be a matter of serious consideration for the Finance Department as to whether they should not withhold such increments during years of extraordinary deficiency. Then as regards Land Revenue, I find that the income to Government from this head is Rs. 37,81,000 whilst the expenses amount to Rs. 9,89,000 which in my humble opinion is a very high ratio of expenditure. Then comes Excise. The income of the Excise Department expected for next year is Rs. 48,04,000, which is less by Rs. 26,000 than last year, but the increase in expenditure for collecting this income is Rs. 2,26,000. The provision in the Budget for 1931-32 is Rs. 19,10,000. This passes my comprehension altogether. Then there is another Department, the Forest Department, which is working at a loss of about 3 lakhs. These are a few items which I would seriously bring to the notice of the Honourable Finance Secretary, to see whether we can make some compromise as regards the amount of 130 lakhs which he says must be raised to make the Budget balance by cutting down the expenses. These things make one quite sure that there is room for retrenchment still. I know that retrenchment cannot be made immediately to meet the Budget needs, but I think that for the last six months the Finance Department must have been in possession of the facts as to the fall in our income and they ought to have given serious thought, not to increasing taxation, but to reducing the expenses of the administration in every branch as far as they could. As regards the Taxes on Income, about which the whole debate centres now, I should certainly say that the recommended Bill, which increases the tax on incomes between Rs. 5,000 and Rs. 10,000 by 3 pies, tells very hardly on the middle class man. It is not necessary for me to tell the Treasury Benches that there is already very great economic distress in the country. Agriculturists have been very hard hit during the last year. Trade and industry is at its lowest ebb, and this increase of tax on that class by 3 pies will tell very hardly upon them. It will not be out of place to mention how people are living nowadays. I went round yesterday in connection with the Educational Conference of the Sikhs to ask for contributions. Every man I spoke to said he would pay his contribution but on the 1st of next month when he got his pay; that being the 29th of the month he had no money to pay. It clearly shows that people of the middle classes are living from hand to mouth and an increase in the tax will cause very great disaffection amongst those people. Every one desires that the atmosphere of peace and calm produced by the noble efforts of Lord Irwin should be maintained, but there is no gainsaying the fact that there will be real heart-burning on account of this increased taxation, and I would respectfully appeal to the Honourable the Finance Secretary to find this 130 lakhs by some means or other, by cutting down expenses and not by increasing the rate of taxation on this class from 6 to 9 pies.

(At this stage the Honourable Sir Maneckji Dadabhoy vacated the Chair which was resumed by the Honourable the President.)

The increase from 5 to 6 pies in the lowest category has been generally accepted and everybody will perhaps be able to pay that, but the increase from 6 to 9 pies is one which will certainly tell upon middle class people. As regards super-tax, my Honourable friend Rai Bahadur Lala Ram Saran Das and other gentlemen here have amendments in their names and I will deal with that at the time they are under consideration. I will at this stage close my remarks with a forceful appeal to the Finance Department that they should try to meet the deficit of 80 lakhs or 130 lakhs by cutting down expenses rather than by increasing the rates of income-tax.

THE HONOURABLE MR. SATYENDRA CHANDRA GHOSH MAULIK (West Bengal : Non-Muhammadan) : I have listened with some amount of attention to the arguments put forward by the Honourable the Finance Secretary when introducing the Finance Bill, but I fail to find my way to see eye to eye with him and to lend my support to the Bill before us. The circumstances this year are a bit out of the ordinary and the actions taken to meet those circumstances are also unusual. As one not much accustomed to the Parliamentary procedure in cases like this, I feel a bit hazy about my course of action. But, Sir, I shall be failing in my duty if I do not speak out what is passing in my mind. Whatever may be our attitude towards this Bill, and however much we might cry ourselves hoarse, it will fail to have the desired effect, and whether we like it or not it will get a place in the Statute-book for all that. The administration has to be carried on, the sun-burnt bureaucrats and the steel frame have to function. I might here make my position quite clear, that whatever remarks I might be tempted to make in this connection, I do not in any way want to show any disrespect to His Excellency Lord Irwin for whom we, Indians, have the highest regard and esteem. But, Sir, at the same time I feel that he has been ill-advised to take this extreme course. True, Sir, we are faced with a deficit Budget ; the actuals are far short of the expectations and what for the general trade depression throughout the world and what for circumstances for which Government as well as people outside are partly responsible, there has been a deficit Budget. To meet this huge deficit, some way has to be found out. Of course it might be possible to raise this sum by an increase of taxation and by the imposition of fresh taxes. There is another way of meeting this. We might turn our attention and reduce the deficit by some amount of retrenchment and meet the balance by fresh taxation. To my mind that would have been the proper course under the present circumstances. Retrenchment is the acid test of a Government's *bona fides*. How far this test can be applied in the present case remains to be seen. No doubt a few items here and there in the budgetary proposals have been found where minor economy has been effected. No doubt, Sir, the Honourable the Finance Member has agreed to a Retrenchment Committee, but at the same time he has expressed the opinion that even then there is very little room for retrenchment. May I, however, point out, Sir, that on the admission of the Honourable the Finance Member himself during the last few days, that statement does not hold water. In the other House he has on his own initiative voluntarily agreed to further reduce the expenses of the Government by about a crore if the amended Income-tax Bill was passed. But, Sir, this statement also did not create the desired effect on the Members opposite and the Government could not carry that amended Bill. The Government in their communiqué of the 27th evening said that they were further willing to reduce expenses to the tune of 50 lakhs if the Assembly agreed to the amended proposals of income-tax. All these point out clearly that there is still room for retrenchment. If you go about it earnestly and if you are sincere about it, I feel quite sure that ways will be found for retrenchment. In every Department of Government there is a multiplicity of officers. The Secretaries, Deputy Secretaries, Under-Secretaries, Joint Secretaries and Assistant Secretaries may be counted in legions, and the less said about special officers the better. I might quote one or two instances in which jobs had to be found out for special officers. I mean the special officer in connection with the Round Table Conference, whose contribution was nothing but a fifth wheel to the coach and the special officer for whom a job has to be found in the Finance Department.

Now, Sir, let me turn my attention to the Army side which is the special preserve of the Government of India in which no idea of retrenchment may

gain entrance for fear of loss of efficiency and discipline. We have heard something about the mechanisation of the Army and have noted also that with the mechanisation there will be a substantial decrease in the personnel, but in actual practice it is not yet manifest to the extent that we hoped. The cost of living index and the wholesale price index have really reached the pre-war level and still we are spending the same amount of money for the Stores and Supply Department of the Army. The cost of upkeep and maintenance should be less than it was a few years ago when the Inchcape Committee sat. The Army in India consists of the British Army as well as the Indian Army. The Indian Exchequer has to find money for the expenses of the British Army stationed in India. Certain groups of regiments are detailed for service overseas and battalions from these groups are provided for service in India. The amount spent on the recruitment in all these groups is entirely to be met from Indian revenues. Now, Sir, turning my attention to the question of pay of British officers in either of these two services, I shall point out that there is a great deal of discrepancy there. British officers of the British Army get much less pay than the British officers of the Indian Army holding the same rank. If it is found possible to have officers of the British Army on less pay, why should we pay the British officer in the Indian Army much more than the pay of the British officer of the British Army? What is sauce for the gander is also the sauce for the goose.

Now, Sir, may I point out one or two salient facts about the taxation proposals. May I inquire from the Honourable the Finance Secretary if by the increased duty on silver he wants to get some revenue for the public exchequer or if he wants to benefit the importers? The reason for my asking this question is, that the amount of silver bars required in India monthly is about 3,000 bars, and from the information which we have received there is a stock in India of 17,000 bars. So it seems that there will be no import for the next six months or so. This increase in duty will only serve to raise the price of silver without necessarily bringing in any substantial revenue. To the poor people silver is a treasure for hoarding and they will be penalised for the benefit of the speculators. As regards other proposals of taxation, I leave them to the consideration of worthier men, and I do feel, Sir, that it is not quite good for the Government to press for a Bill like this without first submitting themselves to the acid test of retrenchment.

With these few words, I beg to oppose the Bill.

THE HONOURABLE MR. G. A. NATESAN (Madras : Nominated Non-Official) : Sir, I did not take part in the discussion on the Budget, nor do I propose to take part in the discussion that will ensue hereafter on the Finance Bill, but having regard to the circumstances in which the Finance Bill has been brought forward, I feel called upon to make a few observations. Not long ago a very distinguished writer, Hilare Belloc—and I dare say his name is familiar to most of you—wrote in the *Fortnightly Review* a very trenchant article in the course of which he observed that taxes always grow up but never come down. Budgets of late have become very heavy burdens and really one knows not what is in store for us in the future. Since the introduction of the Montagu-Chelmsford Reforms, we have had, as has been pointed out more than once here and elsewhere, additional taxation of about 40 crores and within the last three years as much as 20 crores. There could certainly be a great deal of criticism about the condition of the finances of a country in which there has been a necessity for mounting up taxation like this. With most of the criticism I agree; but I have to stress and emphasise the fact, which one is apt to forget and about which stress had been laid on other platforms and

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elsewhere in India and in England, that the whole thing is the result of a system which is unnatural. Sir, I think the Honourable Sir Maneckji Dadabhoy very rightly observed that the Finance Member is the victim of a system—of a very vicious system and a very unfortunate system. I think there is something radically wrong about the position of a Finance Member who is asked to tackle the problem of budgeting when he is given absolutely no discretion to touch upon the most important aspect of an administration, such as the military, which consumes a very large amount. It is worse still that even under the Montagu-Chelmsford Reforms there are items which are classed as votable and non-votable. With regard to military expenditure, everybody knows that the Finance Member can only beg the Commander-in-Chief to reduce the expenditure; he could not do anything more. Those of you who had any opportunity to read the reminiscences or memoirs of Lord Rawlinson will find support for that statement, will get an idea of the great difficulties which the Finance Member then had in inducing Lord Rawlinson to a reduction of military expenditure and it is on record that after having agreed to a reduction in the Viceroy's Council he went home and he was counselled by one of his Secretaries to tender his resignation. But all honour to Lord Rawlinson. His conduct was very creditable. He thought that it was not fair when the Government of India were struggling to put their house in order and political conditions were troublesome that he should tender his resignation, but that on the other hand he should accept the reduction and do what was necessary to see that the administration was carried on. I am only mentioning this to show how helpless even the ablest and the most conscientious Finance Member will be under a system in which he finds himself tied up. Sir, I am very glad that the Honourable Sir Maneckji Dadabhoy for the last two or three years has been criticising the Budget in a manner in which one of his long experience is expected to criticise it.

I think it is well-known that the military expenditure here is very much more than what the requirements of the country actually demand. India is being compelled to pay for many things which out of fairness and sheer justice she should not be called upon to pay. No less a veteran than the Honourable Sir Dinshaw Wacha pointed out the other day that India is being made to pay very largely towards the military expenditure on account of the system of army amalgamation scheme which was denounced by the Government at the time more than anybody else. It has also been on record, as was pointed out by those who gave evidence before the Defence Committee of the Round Table Conference, that even though at the time of Lord Reading a committee sat which came to the conclusion, with the approval of the Commander-in-Chief, Lord Rawlinson, that they could increase the pace of Indianization of the Army which would satisfy not only the legitimate demands of the Indian people for a proper share in the military service of the country but would also reduce the military expenditure a great deal, the proposal that went up with the authority of the Commander-in-Chief and with the authority of such a statesman as Lord Reading, was turned down without any ceremony at all, if I may say so. Well, this is the system under which we are suffering.

Again, it has been pointed out that after the Montagu-Chelmsford Reforms were inaugurated, our expenditure has gone up: there has been the necessity for taxing to the tune of 40 crores. This again is due to the system under which the Indian administration is being carried on, and it seems to me that though we may be able to effect a reduction of expenditure of 1 crore, 2 crores

or even 3 crores, you cannot possibly put a stop to this annual cry in the Assembly, and even here perhaps, sometimes in a mild form and some times in a strong form, unless the whole system of Government is altered. The only solution of this problem will be for Honourable Members opposite—for the Honourable the Finance Minister and his able Secretary—to say to His Excellency: "Let us change the present system of Government and devise a new system".

Having made these observations, Sir, I desire to point out that I also agree with the remarks of my Honourable friend Mr. Basu. It is a thousand pities that it did not strike the advisers of His Excellency to advise him to call the conference of Leaders before and not after the Finance Bill was recommended in the form in which it was put before the Assembly. I am one of those who think that having regard to the particular circumstances under which the country is passing, having regard to our claims for a larger share in the administration—perhaps I should say our claims for putting us on an equality with the other Dominions—we in this House should not throw out the Finance Bill. My Honourable friend Lala Ram Saran Das said that Sir Maneckji Dadabhoy spoke one way but came to an illogical conclusion. To state facts and, while keeping the political considerations of the country in view, to realise the needs of the State and act accordingly, is not, I submit, behaving in an illogical fashion. I, therefore, support this Finance Bill.

The bulk of the criticism, Sir, has turned upon income-tax. Any one who knows something about the history of England will be aware of the attitude taken by the people of England in the matter of income-tax. It is condemned everywhere. Students of English finance know very well that the late Mr. Gladstone tried his best to abolish this tax. He succeeded no doubt in reducing it, but he could not altogether eliminate it. As my Honourable friend Diwan Bahadur Narayanaswami Chetti observed the other day, when you go on increasing income-tax you are more or less adding to the troubles of the people who possess other property; and even owners of houses who have to pay a municipal tax are called upon to pay increased income-tax, and the rents which they derive are also included as sources of income. This is a state of things which makes this burden sometimes intolerable. I may say at once that I am also a victim of this increase and have to bear the burden like others. But having regard to the peculiar difficulties with which the Finance Member is struggling this year, I should say that I am quite willing to yield to this increase though reluctantly. At the same time I wish to draw attention to the remarks made by the Honourable Nawab Sir Akbar Khan that we hope that this increase will be a temporary one and not become a permanent addition. It is a matter for satisfaction that the recommended Bill with regard to income-tax gives relief to people below Rs. 15,000. I think it would have been better if the rates had been decreased still, but I must say that if revenue is to be found those who get Rs. 20,000 and upwards should be prepared to meet the demands of the State. I know this view will be contested, and it was contested very eloquently and very vehemently by my Honourable friend Sir Maneckji Dadabhoy some years ago. I am one of those, Sir, who believe that a surcharge is a proper tax, and I will be failing in my duty if I did not say that if taxation was inevitable, if money had to be found, and if the alternative was to tax the poor class or the rich class, I certainly would prefer the latter, because otherwise the burden on the poor would be great and political discontent would increase to an enormous degree. I do not think there is much necessity to go on talking in this strain. I only hope that the Honourable the Finance Member who said in this House that

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there was no room for retrenchment and who has by some consideration or other been forced to agree to a reduction of nearly a crore on his own estimate will find other possible avenues to see that during next year considerable retrenchment is effected; and mark here the words of the Honourable Sir Maneckji Dadabhoy himself. One who eloquently supported in this very House—I think it was in the Simla Session—the Lee Commission concessions, has to-day pointed out to you that there is a necessity to reduce these. He is not an unfriendly critic of the Civil Services, nor is he one who will do anything for the sake of popularity. Words and criticisms coming from one like him ought, I think, to carry great weight, and I do hope that earnest and strenuous efforts will be made to effect retrenchment in the coming year. I somehow or other believe, Sir, that on the whole it is better to live in hope, to live sometimes hoping against hope. I do think that the present state of things cannot continue for long. I think that with the success that has already attended the session of the Round Table Conference in England, with the avowed desire of co-operation at the next Round Table Conference by the Congress and the smooth manner in which the decision of Mr. Gandhi to co-operate in the Round Table Conference has been arrived at at the Karachi Congress, we can very reasonably hope for a better state of things in the country. I am sure, Sir, that when peace is restored other things, especially trade, are bound to flourish. I do hope that in the next year the Finance Minister will be in a better position to say here: “I have been able to reduce many of the taxes, and we will carry on the administration more smoothly than before”.

With these remarks, Sir, I appeal to the Members of this House for their co-operation in passing the Finance Bill.

THE HONOURABLE MR. E. MILLER (Bombay Chamber of Commerce): Sir, in view of the limited time at our disposal I do not propose to take up much time of this House in discussing details of the Bill before us, or to oppose it. In fact, I think at this stage it is our duty to support it. But in doing so I should like to lodge a strong protest, on behalf of the non-official European group, at the very heavy call upon the mercantile and, in particular, the European mercantile community by the severe taxes imposed. The importer is very heavily penalised by the many surcharges introduced and we are not satisfied that other sources might not have been explored, which would have produced some of the necessary revenue and that further economies might not have been effected that would have reduced the total Budget demand.

There is one section that I would particularly like to refer to and that is the one connected with transport, which has not been given much publicity. A further two annas has been put on petrol duty and excise, and the previous duty on motors has been re-instated, both of which go to general revenue.

This means a serious check to transport development which is so necessary if we are to develop agriculture, and the future of this country is surely very largely dependent on this. Interior markets cannot be properly developed without roads to feed the railways and His Excellency the Viceroy referred to the importance of road development in his recent speech at the opening of the session of the Chamber of Princes. The Honourable Sir George Schuster is well aware that for the past four years I and many others have been urging that such taxes should be earmarked for road development in the interests of the country and that they should not be absorbed into general revenues. While I realise that we cannot expect much to be done in this direction at the present time, I do feel that it is most unfortunate in the interests of the country

that transport should have been again further taxed for general revenue purposes. It is a retrograde step which is to be deplored. I therefore wish to take this opportunity of drawing the attention of the Government and Honourable Members of this House to this important matter and would urge that some relief should be given in this direction at the earliest possible opportunity.

In conclusion, I have only to say that we shall not forget that the Honourable the Finance Member assured us in this House only a few days ago that he did not look upon many of these fresh taxes as a permanent feature in the Government armoury of taxation and unless they are withdrawn and other methods are devised of raising revenue and further economies are effected during the coming year, he and the Government will have to face a very much stronger opposition when presenting their Budget proposals twelve months hence.

With these remarks, Sir, I support the passing of the Finance Bill.

THE HONOURABLE DIWAN BAHADUR G. NARAYANASWAMI CHETTI (Madras : Non-Muhammadan) : Sir, I shall not take up much of the time of the Council. Though we are fully alive to the difficulties of the Government, we feel that the Government were not able to exempt the taxation on the poorer classes, that is, for persons getting Rs. 2,000 to Rs. 5,000. Probably the Finance Member feels that there are difficulties in the matter. About kerosene oil, I hope that Government will give up that taxation. I do not know how much the Government hope to get from that. I would have been far happier to see that these poor people are not in any way taxed, but unfortunately the Government of India have not seen their way to do away with this tax. As my Honourable friend Mr. Natesan has suggested, this conference with Members of both the Houses should have been held a little earlier. I can say that if only it had been held earlier, probably there would have been a better adjustment than it is to-day. The Bill has been thrown out in the other House. Personally I feel that in this time of political crisis, taking into account the difficult position, though I may differ on one or two matters, I propose to support the passing of the Finance Bill to-day.

There is one other matter to which I wish to refer, and that is, taxation of foreign salt. That is a question which has been engaging the attention of the public for a very long number of years. I understand the Indian Chamber of Commerce have recently welcomed this duty on imported salt. Sir, we have a number of salt pans in India, but unfortunately, nobody seems to be taking any interest in these unfortunate men. During the time of the War they were able to make some money. Afterwards they practically lost all they gained during the War. The result is that they are poverty-stricken and they are not able to manufacture salt from their pans. Therefore, even if you tax salt, I should very much like that these salt manufacturers should be helped by being given advances. With that they will be able to improve their present lot and to compete with the salt that we get from Liverpool. Unless the Government take a genuine interest in the lot of these poor manufacturers I fear nothing will happen. I do not know what will be the fate of the Salt Import Duty Bill if it is thrown out in the Assembly. I hope the Bill will be certified and brought up again. Sir, I heartily congratulate the Government in this matter, because I am one of those who has been feeling for a number of years that you ought to discourage foreign salt being brought into India. Bengal may not be happy over it, but I think they will in the long run agree that the taxation is not after all bad for them. It will also enable the Bengal salt pan owners to improve their salt pans. I am sure

[Diwan Bahadur G. Narayanaswami Chetti.]

that with the help of the Government, within four or five years they will be able to compete with Liverpool salt, if only the Government really and sincerely helps in introducing an improved system of salt manufacture here. He must be given some expert help in this country apart from advances to improve the present position of the pans.

Sir, with these words, in view of the peculiar circumstances, I wish to support the Government. At the same time I must tell the Government that they ought to do their best to retrench expenditure. There is no use of our being told at the end that they are not able to do it. I hope that the Finance Member will do his best to see that at least retrenchment is effected in various Departments. With these words, I have great pleasure in supporting the Bill.

THE HONOURABLE SARDAR SHRI JAGANNATH MAHARAJ PANDIT (Bombay : Non-Muhammadan) : Sir, I feel that the Council of State should help the Government of India by voting for all taxation proposals, as I do, but we cannot let this occasion pass without intimating to them the fact that there has been no bold policy of retrenchment in the only sphere that matters, and therefore the budgetary situation has reached a crisis in which there is a recommendation by the sincere, well-meaning and outgoing Governor General to the popular House of the Central Legislature. Sir, I may be permitted to point out that in future years at least the Government of India and the Assembly will so manage to handle the Finance Bill that there would be some reasonable time given to this Council for a proper consideration of the taxation proposals instead of being hustled as we are to-day.

With these words, Sir, I support the Finance Bill.

THE HONOURABLE MR. A. HAMID (Burma : General) : Sir I too feel : that I am placed in the curious position of Inspector Pott of Dickens' fame, as "I have a duty to perform". I am an elected Member and although I know it is hardly right on my part to be the only man in this House to oppose the Finance Bill in the face of the recommendation of the Governor General, yet I feel that I should, as the Honourable Mr. Miller has done, lodge my protest against the increased taxation. In the other House the Honourable the Finance Member, putting it mildly, has been called inconsiderate and unsympathetic towards the poor people. I believe his answer has been that he might be anything, but he is certainly not inconsiderate or unsympathetic. His answer puts me in mind of the story of a man who begged his wife to tell him of his besetting sin "in order", said he, "that I may conquer it and so please you in all respects". With much reluctance, and only after many exhortations to be honest, the lady replied that she feared he was selfish. "I am not perfect", said the gentleman, "and perhaps I am a sinful creature, but if there is a fault, which, I thank God, I do not possess, it is selfishness. Anything but that." And as he spoke he passed her the apples—they were at luncheon—and set himself to work on the only peach.

Well, whether the Finance Member has been considerate, or not, he has been indeed very optimistic, because, at the present moment, due to world depression and due to the damage caused by the civil disobedience movement to the country, he could hardly have expected 14 crores out of the people without protest and demonstrations made in rejecting the Bill in the other House.

It cannot however be denied that money has to be found, and I think it is the duty of every good citizen to try to help the Finance Member as much as he can, and in that spirit I support the Bill.

The cry from all directions so far has been in regard to military expenditure, and I think those who have complained about the military expenditure are fully justified, and if and when we see military expenditure reduced, without of course in any way curtailing efficiency, I think people would be satisfied and would be in a better frame of mind to help the Government at any time when Government may require further funds. Sir Maneckji Dadabhoy, I am glad to say, has explained the position of the tax-payers very lucidly, and I am glad also that my friend Nawab Major Sir Mohamed Akbar Khan has expounded the position both of the people of the North-West Frontier Province and of the whole of India, especially of the agriculturists, and if the suggestions and advice of these two Honourable gentlemen are taken seriously I think that the Finance Member in future will have less trouble in seeing his proposals through.

Now, in regard to my province, I do not wish to enlarge upon our grievances unnecessarily, but I think this is the only opportunity when a Member can get up and speak on any matter, whether relevant or irrelevant to the proposition, before the House. I take it that the Honourable Members will excuse me if I mention that for the past 20 years during which I have been in Burma we have never been satisfied with the treatment which has been meted out to the people of my province. On and off the Government of Burma have asked for concessions, and very recently a very necessary proposal was put before the Government of India in regard to the annulment of the rice cess, and I regret that even that very reasonable and necessary demand of the Government of Burma was not acceded to. Similarly, there have been other occasions when we have had real grievances which we very respectfully put before the Government of India and which have not been redressed. In all cases in which we asked for remedies or redress we have been politely told to keep quiet, and in the circumstances the people of Burma have taken this increase of taxation rather seriously. Within the last few days I have had quite a number of telegrams from various bodies and various individuals asking me not to permit the passing of the Bill, as if I was the only man concerned, forgetting that I was only a part of the machine here. I do however feel that in their interest I should at least express myself emphatically that the taxation is not popular. It is unsound financially and, more than that, it will have a brutish effect on the people who will be called upon to meet it. As an instance let me put to you, Mr. President, the position of a business man—it makes no difference whether he transacts his business in millions, in thousands or in hundreds. At the end of his financial year he makes up his account. I feel justified in saying that there are very few business people who can always produce the amount of profit they show in their books in their banks or in their safes. In a good many cases at the end of the year they have overdrafts which they have to meet and to meet quickly. Now, before the end of March the poor business man who happens to have made a profit on paper of perhaps hundreds or even thousands has not got enough to pay his motor car driver. Yet he has to meet a demand for Rs. 4 to Rs. 5,000 from the Income-Tax Officer. If he does not pay the amount due within the time allowed, the Income-tax Officer doubles or trebles the amount on his own discretion for no other reason but that it has not been paid in time; and if the assessee endeavours to get his grievance redressed there is nobody to listen to his tale of woe. The way in which the Income-Tax Department of the Government of India works is inconsiderate to a degree. It is unsympathetic. I am almost certain that I am voicing the feelings of all Honourable Members, private and official, when I say that if this proposal for increased taxation had been put before them at a private conference they would have all voted against it. That is the sentiment with which this

[Mr. A. Hamid.]

taxation is regarded. About two years ago a suggestion was made by a very famous man—I will mention his name, namely, Mr. Gandhi—that the Government of India should seriously consider the question of the reduction of salaries of officials. Well, people laughed at him then, but I am certain there are very few who will laugh to-day. Provincial Governments are already thinking of reducing a certain percentage of the salaries of Government officials, and, incidentally, the other day in the Burma Council the official Members *en bloc* agreed that if the Government of India gives them a lead they would be quite prepared to have their salaries reduced. The matter has come to that pitch that, unless and until there is a cut, a suitable and proportionate cut all round, whether it is in salaries or in other ways, the people of the country will consider that they have been indifferently treated.

Sir, in deference to the recommendation of His Excellency the Governor General, I, on behalf of the people of Burma, support the Bill.

THE HONOURABLE SIR ARTHUR McWATTERS : Sir, I do not propose to say more than a few words in reply because, although a large number of interesting matters have been discussed and some very useful suggestions made in many of the speeches, I think there is no general attitude of dissent to my general proposition that the Bill be taken into consideration, which is the motion now before the House. I think it was not unnatural that the proposals for taxation included in this Bill should come in for fairly severe criticism. They have been criticised from different points of view, criticised from the point of view of Mr. Miller as being an extra burden on European trade and particularly on transport, criticised from the point of view of those who object to the income-tax, criticised from the point of view of those who object to the burden on the poor man of the kerosene duties, and so on. Well, I can only say that Government appreciate all these objections and the mere fact that the proposals do hit people of all kinds and grades only shows how wide we have had to throw our net in order to obtain this very large amount of money this year. It is regrettable, but we feel that it is inevitable and essential in the interests of the country that we should ask the country to undergo these sacrifices. I should like to say quite definitely in answer to all this criticism—it has been, I recognise, a very friendly criticism—that Government do intend most seriously this year to pursue proposals for retrenchment in all possible directions that they can. There are some aspects of retrenchment in connection with the Army, the question of an Imperial contribution to Defence and capitation charges, which will have to be pursued in a different manner from the others, but we do not propose to relax in the least the intention which we expressed the other day to pursue retrenchment in the best way possible, whether by the appointment of special committees or otherwise. We shall take the matter up at once, immediately this Session is over. That is one point on which I wish to give an assurance. I have been asked for a second assurance by the Honourable Nawab Major Sir Mahomed Akbar Khan, Mr. Natesan and others, that we should give an assurance that the increased income-tax and super-tax will be removed as early as possible. Well, Sir, our position was made quite clear in the Budget debate and I wish to repeat it. We do regard these income-tax and super-tax increases as definitely items which we have had to impose to meet a temporary emergency. We intend, if we possibly can, to remove these increases at the earliest possible date ; one cannot say exactly how much next year ; but we have definitely imposed them as emergency taxes and we regard them as such.

I think, Sir, that is all I wish to say. I regret as much as any other Member that it has been found necessary that the Bill should reach this House in this form, but I still count on the unanimous support of this House for this Bill.

THE HONOURABLE THE PRESIDENT : The question is :

"That the Bill to fix the duty on salt manufactured in, or imported by land into, certain parts of British India, to vary certain duties leviable under the Indian Tariff Act, 1894, to fix maximum rates of postage under the Indian Post Office Act, 1898, to vary the excise duty on motor spirit leviable under the Motor Spirit (Duties) Act, 1917, to fix rates of income-tax and super-tax, to vary the excise duty on kerosene leviable under the Indian Finance Act, 1922, further to amend the Indian Paper Currency Act, 1923, and to vary the excise duty on silver leviable under the Silver (Excise Duty) Act, 1930, in the form recommended by the Governor General, be taken into consideration."

The motion was adopted.

Clauses 2, 3, 4, 5 and 6 were added to the Bill.

THE HONOURABLE THE PRESIDENT : Clause 7.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS (Punjab : Non-Muhammadian) : Sir, I want to move the amendment to this clause which stands in my name.

THE HONOURABLE THE PRESIDENT : If the Honourable Member's intention is to move the amendments* standing in his name, I think I may point out at once that those amendments are not in order. Clause 7 of the Bill by reference to the Schedule merely imposes rates of income-tax and super-tax. It has nothing whatever to do with the procedure for collection or payment of income-tax. Those are matters dealt with in the Indian Income-tax Act itself, and if the Honourable Member wishes to alter the procedure in regard to income-tax in the manner shown in his amendments on the paper, the proper course for him is to take some opportunity of amending the Income-tax Act. These amendments are not in order on this particular clause of the Bill.

Clause 7 was added to the Bill.

THE HONOURABLE THE PRESIDENT : Clause 8.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : Sir, I beg to move :

"That clause 8 be omitted."

The Government of India have from time to time been advocating the cause of the poor and have been declaring that they would help the poor as far as

*That at the end of clause 7 the following be added :

"(4) For the purposes of section 45 of the Indian Income-tax Act, 1922, the assessee shall be entitled to pay the amount of the income-tax assessed on him in instalments within the end of the financial year."

(If this amendment fails.)

That at the end of clause 7 the following be added :

"(4) For the purposes of section 45 of the Indian Income-tax Act, 1922, the assessee shall be entitled to pay the amount of income-tax assessed on him in monthly instalments of such amounts as will enable him to pay the full amount within the end of the financial year."

[Rai Bahadur Lala Ram Saran Das.]

possible. As that policy has not been translated into practice by raising the duty on kerosene, I propose, Sir, that this clause be omitted and that thereby relief be given to the poor. An increase of the tax on the poor ought to be avoided in pursuance of the policy which Government have been always declaring.

THE HONOURABLE THE PRESIDENT: Though this amendment has been moved, I cannot put it to the House. The Honourable Member's amendment as made is one which proposes a negative. The question before the House is that clause 8 stand part of the Bill. It is not open to any Member to propose as an amendment to that that clause 8 shall not stand part of the Bill. The Honourable Member may be taken to have opposed the motion.

THE HONOURABLE SIR ARTHUR McWATTERS: Although it is not an amendment, I think I should make an answer to the definite proposition that this clause should be omitted. The result of the Honourable Member's proposition, which, I take it, must be coupled with his similar proposal to reduce the rate of import duty on kerosene, for I cannot imagine he wants to reduce the excise duty leaving the import duty alone, would be a very serious reduction in the revenue which the Government expect to get under this Bill. We expect to get from the import duty Rs. 43 lakhs and from the excise duty Rs. 52 lakhs, which is a total of Rs. 95 lakhs. Last year we made certain changes, we raised the excise by 6 pies and lowered the import duty by 3 pies on kerosene and as a result in the course of the year the prices of kerosene were reduced by 6 pies a gallon. The increases now proposed of 9 pies both on excise and on import duty have been at once reflected in prices and the net result of our action is that after two years there is an increase of 3 pies per gallon on kerosene. Sir, the actual amount of revenue which we got last year was Rs. 62 lakhs; we are proposing to get Rs. 95 lakhs this year—Rs. 157 lakhs, at a cost of 3 pies per gallon, which if spread over India is not in itself a very large amount per head. It is one of the additional taxes which I say we regret, but taking it in its place as a part of the general scheme of taxation, we think that, considering the amount of revenue which we realise thereby, it is justified. Therefore I am opposed to the Honourable Member's proposal.

Clause 8 was added to the Bill.

Clauses 9 and 10 were added to the Bill.

Schedule I was added to the Bill.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Sir, I beg to move:

"That in Schedule II to the Bill the following item be omitted:

'40. Kerosene: Also any other mineral oil included in 9 pies per Imperial
Item No. 40. gallon'."

Sir, the object of this amendment is to equalise the duty on kerosene and for that reason, Sir, I want to propose that 9 pies per gallon duty be not imposed this year. The Indian Tariff Board did recommend that the Burma Oil Company does not need any further protection for kerosene. So it is equitable and just that the duty on imported oil as well as excise on Indian kerosene ought not to be increased and thus relief be given to the poor.

Sir, I move.

THE HONOURABLE SIR ARTHUR McWATTERS : Sir, I oppose this amendment. In making these proposals for taxation we have not attempted to disturb the present arrangements as regards excise and import duties on kerosene. We have looked at these surcharges purely as measures for increasing revenue, and we have not taken up the more general question of principle as to whether we should or should not make any alteration in the present differential between these two duties. I think, Sir, that the House should look upon these proposals for surcharges purely as revenue proposals, and, as I said, the general question of principle has not been discussed. If necessary, I could say a good deal about the position of the particular companies which are concerned in oil, their importance to the country, the money they have spent on development of the industry and their contribution to our revenue, but I think it is unnecessary to discuss all these points now. We are not proposing to alter the general principle of the differential in our present taxation proposals, and therefore I hope that the House will reject this amendment.

The motion was negatived.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : Sir, I rise to move the following amendment :

"That in Schedule II to the Bill the following Item be omitted :

'40A. Motor spirit 2 annas per Imperial gallon.'

In spite of the depression in trade and the paucity of funds that the Government have, I should like to see the development of the country proceed. As motor lorries are now contributing to the development of the country, I hold that Government ought not to discourage the growth of the motor lorry traffic and thereby retard the development of the country. The price of petrol, owing to the Burma Oil Company having practically the monopoly, is very high, as petrol in India is now selling at a rate which is higher than what it is in the British Isles. So, Sir, in the interest of the development of the country, this duty ought not to be increased. I have already suggested many means wherefrom funds can be found, and I need not repeat them again.

THE HONOURABLE SIR ARTHUR McWATTERS : Sir, I am rather surprised that the Honourable Member who has moved this amendment did not propose to take any action with regard to clause 6 of the Bill which deals with the excise duty on motor spirit, because the result of this amendment will be, if it is carried, that the import duty will be reduced by two annas while the excise duty under clause 6 which has been agreed to will remain at eight annas. I think that can hardly be his intention.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : That was not my intention. I forgot to move an amendment to clause 6 of the Bill as well.

THE HONOURABLE SIR ARTHUR McWATTERS : In any case the position of Government must be that the two rates must be the same, and as we cannot sacrifice 83 lakhs which is the result of the excise duty, we cannot reduce the import duty. I am afraid that for this reason I must oppose this amendment.

The motion was negatived.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : Sir, I rise to move the following amendment :

“ That to Item 42-A in Schedule II to the Bill the following proviso be added :

‘ that all motor lorries or trucks and cars up to the value of Rs. 4,000 are exempted ’.”

My object, Sir, is the development of the country by the use of motor lorries and cars. These are no longer a luxury now but they are a necessity. In order to achieve that object, I move that the cheap cars and lorries be exempted from the increased taxation.

THE HONOURABLE SIR ARTHUR MCWATTERS : Sir, I oppose this amendment. I think, in the first place, there has again been a little misunderstanding, because motor lorries and trucks do not come under Item 42-A at all. Motor lorries and trucks come under Item 87 and are subject to 15 per cent. duty *ad valorem*, and they will be subject to 5 per cent. extra duty ; but they are not included in 42-A Motor Cars. That is my first point. If the Honourable Member's object is to remove the surcharges on these articles, he would have had to move his amendment in a slightly different form. That is an objection more of form than of principle. I do not want to say much on this point except to point out that they are not exposed to the higher rate of duty ; they will come under the 20 per cent. rate.

My second point is this : The Honourable Member wishes to exempt “ motor lorries or trucks and cars up to the value of Rs. 4,000 ”. The Honourable Member no doubt is thinking of the retail price at which cars are sold, perhaps in up-country markets. But we have to consider the imported value of the car before it pays duty, and taking the statistics—I have gone through the statistics for the last year—I find that the average value of motor lorries and trucks is well under Rs. 2,000 and the average value of cars is only slightly over Rs. 2,000. So his amendment practically would be to remove the whole of the surcharge on all these articles—motor trucks, lorries and cars. That amounts to a very considerable sum ; it is something like 37 lakhs. I do not think that we could accept this amendment. I oppose it.

The motion was negatived.

THE HONOURABLE THE PRESIDENT : The question then is :

“ That Schedule II be a Schedule to the Bill.”

The motion was adopted.

Schedule II was added to the Bill.

THE HONOURABLE THE PRESIDENT : The question is :

“ That Schedule III be a Schedule to the Bill.”

The motion was adopted.

Schedule III was added to the Bill.

THE HONOURABLE THE PRESIDENT : Schedule IV.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : Sir, I rise to move the amendment* which stands in my name. I want to save the time of the House and therefore I think, Sir, you will excuse me from reading the amendment.

Owing to the poorer condition of the people, owing to the depression in trade, commerce and agriculture, the country cannot bear the increased taxation, and so my object in moving this amendment is to let the taxes remain on the level at which they are at present. I may mention that in India taxation is being brought to a much higher level than even in England. (*The Honourable Major Nawab Sir Akbar Khan* : "It has been increased by cent. per cent.") I will give some instances, Sir.

* "That for Schedule IV to the Bill the following be substituted :

'SCHEDULE IV.

(See section 7.)

PART I.

Rates of Income-tax.

A. In the case of every individual, Hindu undivided family unregistered firm and other association of individuals not being a registered firm or a company—

- | | |
|---|---------------------------------------|
| (1) When the total income is less than Rs. 2,000 | Nil. |
| (2) When the total income is Rs. 2,000 or upwards, but is less than Rs. 5,000 | Five pies in the rupee. |
| (3) When the total income is Rs. 5,000 or upwards but is less than Rs. 10,000 | Six pies in the rupee. |
| (4) When the total income is Rs. 10,000 or upwards, but is less than Rs. 15,000 | Nine pies in the rupee. |
| (5) When the total income is Rs. 15,000 or upwards, but is less than Rs. 20,000 | Ten pies in the rupee. |
| (6) When the total income is Rs. 20,000 or upwards, but is less than Rs. 30,000 | One anna and one pie in the rupee. |
| (7) When the total income is Rs. 30,000 or upwards, but is less than Rs. 40,000 | One anna and four pies in the rupee. |
| (8) When the total income is Rs. 40,000 or upwards | One anna and seven pies in the rupee. |

B. In the case of every company and registered firm, whatever its total income One anna and seven pies in the rupee.

PART II.

Rates of Super-tax.

In respect of the excess over fifty thousand rupees of total income—

Rate.

- | | |
|---|------------------------------------|
| (1) in the case of every company | One anna in the rupee. |
| (2) (a) in the case of every Hindu undivided family— | |
| (i) in respect of the first twenty-five thousand rupees of the excess | Nil. |
| (ii) for every rupee of the next twenty-five thousand rupees of such excess | One anna and one pie in the rupee. |

[Rai Bahadur Lala Ram Saran Das.]

In England the income-tax is now 4 shillings in the pound, and while assessing it family allowances and other deductions are allowed. On earned income one-sixth of the amount of income is given as allowance. The first £135 of assessable income is exempted to an unmarried person or a widower. £225 is exempted to a married tax-payer whose wife is living with him. Moreover in respect of children £60 are allowed for the first child and £50 for every other child. Then there are allowances for the house-keeper as well as for dependent relatives. These reliefs are not given in India which shows that India is being taxed at a higher level than the British Isles. So, Sir, in the present circumstances of the country the increases in income-tax and super-tax are extortionate.

I move my amendment.

THE HONOURABLE SIR ARTHUR McWATTERS: Sir, I imagine that the Honourable Member, in moving this amendment, did not expect us seriously to pass it but rather sought a chance of voicing some of his grievances about income-tax which I always listen to with great interest and profit. The effect of his amendment is to remove the whole of the extra revenue which we expect to get from income-tax and super-tax this year, because his amendment restores the original rates of income-tax and super-tax which were

-
- (b) In the case of every individual unregistered firm and other association of individuals not being a registered firm or a company, for every rupee of the first fifty thousand rupees of such excess One anna and one pie in the rupee.
- (c) in the case of every individual, Hindu undivided family, unregistered firm and other association of individuals not being a registered firm or a company—
- (i) for every rupee of the second fifty thousand rupees of such excess One anna and seven pies in the rupee.
- (ii) for every rupee of the next fifty thousand rupees of such excess Two annas and one pie in the rupee.
- (iii) for every rupee of the next fifty thousand rupees of such excess Two annas and seven pies in the rupee.
- (iv) for every rupee of the next fifty thousand rupees of such excess Three annas and one pie in the rupee.
- (v) for every rupee of the next fifty thousand rupees of such excess Three annas and seven pies in the rupee.
- (vi) for every rupee of the next fifty thousand rupees of such excess Four annas and one pie in the rupee.
- (vii) for every rupee of the next fifty thousand rupees of such excess Four annas and seven pies in the rupee.
- (viii) for every rupee of the next fifty thousand rupees of such excess Five annas and one pie in the rupee.
- (ix) for every rupee of the next fifty thousand rupees of such excess Five annas and seven pies in the rupee.
- (x) for every rupee of the next fifty thousand rupees of such excess Six annas and one pie in the rupee."

in force before this Bill was introduced. That means, Sir, 5 crores. However much I should like to meet my Honourable friend, I am afraid I cannot agree to his amendment.

The motion was negatived.

THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD (United Provinces Northern : Non-Muhammadan): Sir, I beg to move the following amendment :

"That for Part I A and B of Schedule IV to the Bill the following be substituted, namely

THE HONOURABLE THE PRESIDENT : I do not think the Honourable Member need read the whole of his amendment. He may follow the good example set by the preceding Mover. The House has the amendment on the paper. Perhaps the Honourable Member is making some alterations ?

THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD : Yes, Sir, I wish to make some alterations.

THE HONOURABLE THE PRESIDENT : Then perhaps the Honourable Member had better read.

THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD :

" PART I.

Rates of Income-tax.

A. In the case of every individual, Hindu undivided family, unregistered firm and other association of individuals not being a registered firm or a company—

	Rate.
1. When the total income is less than Rs. 2,000	Nil.
2. When the total income is Rs. 2,000 or upwards, but is less than Rs. 5,000	5 pies in the rupee.
3. When the total income is Rs. 5,000 or upwards, but is less than Rs. 10,000	8 pies in the rupee.
4. When the total income is Rs. 10,000 or upwards, but is less than Rs. 15,000	11 pies in the rupee.
5. When the total income is Rs. 15,000 or upwards, but is less than Rs. 20,000	1 anna and 1 pie in the rupee.
6. When the total income is Rs. 20,000 or upwards, but is less than Rs. 30,000	1 anna and 5 pies in the rupee.
7. When the total income is Rs. 30,000 or upwards, but is less than Rs. 40,000	1 anna and 9 pies in the rupee.
8. When the total income is Rs. 40,000 or upwards, but is less than Rs. 1,00,000	1 anna and 11 pies in the rupee.
9. When the total income is Rs. 1,00,000 or upwards	2 annas in the rupee.

B. In the case of every company and registered firm whatever its total income

2 annas in the rupee."

[Rai Bahadur Laa Jagdish Prasad.]

Sir, my object in moving this amendment is to ask this House to accept the same incidence of income-tax as was adopted by the other House on the motion of Sir Cowasji Jehangir. It is a pity that the Government did not see their way to accept such a reasonable proposal when it was made in the Legislative Assembly the other day. May I hope for it a better fate here? Sir, I acknowledge with gratefulness that the Government have shown some condescension in making an alternative amendment which is embodied in the recommendation of His Excellency the Viceroy and Governor General which is now before the House in the form of this certified Bill. It does seek to give some relief in the case of lower incomes and none in the case of higher ones, but I submit that it does not go far enough. The existing burden of income-tax on the trades and professions—especially the poorer of them—already sits so heavily that they find it difficult to bear it. The Indian tax-payer, taking in view his capacity to pay, is already bearing the heaviest burden of taxation. Now, another burden of more than 9 crores of rupees, besides the income-tax, is being added as if his shoulders have become broader enough to bear this heavier burden when he is actually groaning under the effects of an unprecedented economic depression. Yet the representatives of the public in the other House as well as here have by voting additional taxation given proof of an accommodating spirit and a sense of responsibility in sharing with the Government their anxiety to balance a deficit Budget. But we only object when we think that a limit has practically been reached and when it is high time that we should cry halt. Agreeing to Sir Cowasji Jehangir's amendment the lower House has still agreed to impose an additional burden of more than 2½ crores of rupees on the tax-payer in the form of additional income-tax. This and the other forms of the proposed indirect taxes increase the burden of taxation to the tune of over 12 crores per annum. It is only a sum of 2.35 lakhs that we are asking the Government to forego by agreeing to the verdict of the Assembly on which this amendment of mine is based. If we look at the original proposals in the Finance Bill we find that the increase in the rate of income-tax proposed therein works out to about 80 per cent. for incomes less than Rs. 10,000 per annum, while it falls to about 45 per cent. for incomes over Rs. 20,000, though the position has since been made better under the recommended Bill. This amendment of mine is more reasonable in that it reduces the burden all along the line though reduction in the case of lower incomes—and rightly—is more marked than in the case of the higher ones. So the result of the amendment if carried would be that there will be no increase in the rate of income-tax on incomes of less than Rs. 5,000. The existing rate of 5 pies in the rupee on incomes of Rs. 2,000 or upwards but less than Rs. 5,000 is heavy enough and should be considered sufficient and therefore left undisturbed. It should be remembered that persons earning less than Rs. 5,000 per annum will, besides the existing rate of income-tax of 5 pies in the rupee, have to bear their share of burden in the form of the increased indirect taxes, and to expect persons of such small incomes to bear a heavier burden than that is not at all reasonable or justified. Persons having higher incomes than Rs. 5,000 may be asked to make some greater sacrifice as they may be considered more able to bear it. Is it too much to hope that by agreeing to the reduced rates of income-tax as proposed in this amendment, backed as they are by a majority of the other House, the Government would forego a sum of a little over 2 crores only out of about 136 crores of their total estimated income which means, in other words, a pie in the rupee roughly speaking?

Sir, I know I will be confronted by the Treasury Benches with the question as to how to meet the proportionate deficit in the Budget. To that, Sir,

my reply is : have recourse to economy and retrenchment. At the time of the general discussion of the Budget I gave an instance how a way was found when there was a will. And now also I believe that the Government can do it if they will. Let them seriously ponder over the situation to which they are driving India's finances. The burden on the shoulders of the tax-payer has not only bent his back but is breaking it. By accepting my amendment the Government would be giving some relief to the trader and investor and thereby would be giving evidence of a change of heart which would in its turn go a long way in smoothing the troubled waters of the sea of Indian constitutional politics on the eve of the impending constitutional changes of which so much is being made, and the House would be doing something which may result to some extent in increasing the well-being of the country in general.

THE HONOURABLE SIR ARTHUR MCWATTERS : I regret not to be able to accept this amendment. As the Mover explained, it is the amendment which was carried in the other House, and in reply to which His Excellency the Governor General proposed his recommended alternative amendment. This amendment would take away 235 lakhs of the revenue which we originally proposed to obtain from income-tax, and the amendment recommended by the Governor General would give up 105 lakhs. The difference is 130 lakhs, which was referred to earlier in this debate. This amendment really raises the crucial issue which is before the House this morning, whether we are to accept the recommendation of His Excellency the Governor General or not. I have already in my speech moving for the consideration of this Bill given all my reasons, and as strongly as I could, why in the interests of the credit of the country I think this House should accept the recommended Bill. It is not a question, as I said, of 130 lakhs. In my opinion it is a question of much more than that—and how much I hesitate to say, because it is a question of credit—and I think it is most important and will be to us most helpful if this House supports us in this matter. Therefore, I regret that I am unable to accept this amendment.

THE HONOURABLE THE PRESIDENT : The original question was :

“ That Schedule IV be a Schedule to the Bill.”

Since which an amendment has been moved—

“ That for Part I A and B of Schedule IV to the Bill the following be substituted, namely :

PART I.

Rates of Income-tax.

A. In the case of every individual, Hindu undivided family, unregistered firm and other association of individuals not being a registered firm or a company—

Rate.

1. When the total income is less than Rs. 2,000 . Nil.
2. When the total income is Rs. 2,000 or upwards, but is less than Rs. 5,000 5 pies in the rupee.
3. When the total income is Rs. 5,000 and upwards, but is less than Rs. 10,000 8 pies in the rupee.

	Rate.
4. When the total income is Rs. 10,000 or upwards, but is less than Rs. 15,000	11 pies in the rupee.
5. When the total income is Rs. 15,000 or upwards, but is less than Rs. 20,000	1 anna and 1 pie in the rupee.
6. When the total income is Rs. 20,000 or upwards, but is less than Rs. 30,000	1 anna and 5 pies in the rupee.
7. When the total income is Rs. 30,000 or upwards, but is less than Rs. 40,000	1 anna and 9 pies in the rupee.
8. When the total income is Rs. 40,000 or upwards, but is less than Rs. 1,00,000	1 anna and 11 pies in the rupee.
9. When the total income is Rs. 1,00,000 or upwards	2 annas in the rupee.
B. In the case of every company and registered firm whatever its total income	2 annas in the rupee."

The question I have to put is that that amendment be made.

The Council divided :

AYES—6.

Ghosh Maulik, The Honourable Mr. Satyendra Chandra.
Hussain Imam, The Honourable Mr. Abu Abdullah Saiyid.
Jagdish Prasad, The Honourable Rai Bahadur Lala.

Moti Chand, The Honourable Raja Sir Ram Saran Das, The Honourable Rai Bahadur Lala.
Sinha, The Honourable Kumar Nripendra Narayan.

NOES—32.

Akbar Khan, The Honourable Major Nawab Sir Mahomed.
Banerjee, The Honourable Babu Jagadish Chandra.
Basu, The Honourable Mr. Bijay Kumar.
Bhore, The Honourable Sir Joseph.
Browne, The Honourable Mr. P. H.
Chetti, The Honourable Diwan Bahadur G. Narayanaswami.
Dadabhoy, The Honourable Sir Manockji.
Dudhoria, The Honourable Raja Bijoy Sing.
Dutta, The Honourable Rai Bahadur Promode Chandra.
Ghosal, The Honourable Mr. Jyotsnanath.
Hafeez, The Honourable Mr. Syed Abdul.
Haig, The Honourable Mr. H. G.
Halim, The Honourable Khan Bahadur Hafiz Muhammad.
Hamid, The Honourable Mr. A.
Irving, The Honourable Mr. Miles.
Khaparde, The Honourable Mr. G. S.
McWatters, The Honourable Sir Arthur.

Megaw, The Honourable Major-General J. W. D.
Mehr Shah, The Honourable Nawab Sahibzada Sir Sayad Mohamad.
Miller, The Honourable Mr. E.
Mitter, The Honourable Sir Brojendra.
Muhammad Din, The Honourable Khan Bahadur Chaudri.
Muhammad Hussain, The Honourable Mian Ali Baksh.
Natesan, The Honourable Mr. G. A.
Noyce, The Honourable Sir Frank.
Pandit, The Honourable Sardar Shri Jagannath Maharaj.
Suhrawardy, The Honourable Mr. Mahmood.
Thompson, The Honourable Sir John.
Uberoi, The Honourable Sardar Bahadur Shivdev Singh.
Whitty, The Honourable Mr. J. T.
Woodhead, The Honourable Mr. J. A.
Zakaullah Khan, The Honourable Mr. Abu Abdullah Muhammad.

The motion was negatived.

THE HONOURABLE THE PRESIDENT : The question then is :

" That Schedule IV be a Schedule to the Bill."

The motion was adopted.

Schedule IV was added to the Bill.

Clause 1 was added to the Bill.

The Title and Preamble were added to the Bill.

THE HONOURABLE SIR ARTHUR McWATTERS : Sir, I move that the Bill in the form recommended by the Governor General be passed.

THE HONOURABLE THE PRESIDENT : The question is :

"That the Bill to fix the duty on salt manufactured in, or imported by land into, certain parts of British India, to vary certain duties leviable under the Indian Tariff Act, 1894, to fix maximum rates of postage under the Indian Post Office Act, 1898, to vary the excise duty on motor spirit leviable under the Motor Spirit (Duties) Act, 1917, to fix rates of income-tax and super-tax, to vary the excise duty on kerosene leviable under the Indian Finance Act, 1922, further to amend the Indian Paper Currency Act, 1923, and to vary the excise duty on silver leviable under the Silver (Excise Duty) Act, 1930, in the form recommended by the Governor General, be passed."

The motion was adopted.

ELECTION OF TWO MEMBERS TO THE STANDING COMMITTEE OF THE DEPARTMENT OF EDUCATION, HEALTH AND LANDS.

THE HONOURABLE THE PRESIDENT : For the Standing Committee of the Department of Education, Health and Lands, two nominations have been received, those of the Honourable Khan Bahadur Chaudhri Muhammad Din and the Honourable Mr. M. D. Devadoss. I declare those two Honourable Members duly elected.

STATEMENT OF BUSINESS.

THE HONOURABLE SIR BROJENDRA MITTER (Leader of the House) : I have to inform you, Sir, that there are two Bills now before the other House to the passing of which during this Session Government attach the utmost importance. I would therefore request you, Sir, to adjourn the House till Wednesday, 1st April, by which time I hope that it may be possible to lay on the table of this House one or both of the Bills now pending in the Assembly.

The Council then adjourned till Eleven of the Clock on Wednesday, the 1st April, 1931.

COUNCIL OF STATE.

Wednesday, 1st April, 1931.

The Council met in the Council Chamber of the Council House at Eleven of the Clock, the Honourable the President in the Chair.

MEMBER SWORN.

The Honourable Mr. Herbert William Emerson, C.I.E., C.B.E. (Home Secretary).

QUESTION AND ANSWER.

HIGH COURT JUDGES.

124. THE HONOURABLE MR. ABU ABDULLAH SAIYID HUSSAIN IMAM: Will Government be pleased to lay on the table a statement showing the number of posts of High Court Judges fallen vacant since 1921 and filled up by Muhammadans, Hindus, Christians and Europeans in different provinces, both officiating and permanent?

THE HONOURABLE MR. H. W. EMERSON: I will obtain the information and communicate it to the Honourable Member on receipt.

MESSAGE FROM THE LEGISLATIVE ASSEMBLY.

SECRETARY OF THE COUNCIL: Sir, the following message has been received from the Secretary of the Legislative Assembly, namely:

“I am directed to state that the Legislative Assembly has, at its meeting held on the 30th March, 1931, agreed without any amendments to the Bill to amend the Indian Reserve Forces Act, 1888, for certain purposes, which was passed by the Council of State at its meeting held on the 24th February, 1931.”

BILLS PASSED BY THE LEGISLATIVE ASSEMBLY LAID ON THE TABLE.

SECRETARY OF THE COUNCIL: Sir, in accordance with rule 25 of the Indian Legislative Rules, I lay on the table copies of the following Bills which were passed by the Legislative Assembly at its meetings held on the 30th and 31st March, 1931, namely:

A Bill to impose a temporary additional duty of customs on foreign salt.

A Bill to impose a temporary duty of customs on the importation of wheat

THE HONOURABLE THE PRESIDENT: There are now three Bills before the Council, one was laid the day before yesterday, the other two have been laid this morning. I shall be glad for some guidance from the House to enable me to exercise the discretion vested in me by the Rule as to a direction when these Bills should be taken up for consideration.

THE HONOURABLE SIR JOSEPH BHOORE (Industries and Labour Member): Sir, I would request you to suspend the Standing Orders and permit me to-day to make motions for taking into consideration and for passing the Bill further to amend the Indian Factories Act, 1911, for a certain purpose. The Bill is a very small and non-controversial measure and it has been in the hands of Members, I believe, since Monday. If, therefore, Sir, you are of opinion that it would cause no inconvenience to the House and to yourself, I would request you to permit me to make the motions I have referred to.

THE HONOURABLE MR. ABU ABDULLAH SAIYID HUSSAIN IMAM (Bihar and Orissa: Non-Muhammadan): Sir, we on this side of the House have no objection to the Bill being proceeded with to-day.

THE HONOURABLE THE PRESIDENT: I do not think there can be any possible objection to the course proposed. The Bill is very small and non-controversial, and in any case if we take the Bill to-day we are only shortening the notice by one day. The motion for consideration will be taken up now provided, of course, the Honourable Member has given notice of his intention to move.

THE HONOURABLE SIR ARTHUR McWATTERS (Finance Secretary): Sir, with reference to the Bill to impose a temporary additional duty of customs on foreign salt, which was laid on the table to-day, I should like your orders and the views of the House as to when that Bill should be taken up. The Bill has been laid only to-day, but I think it is possible that most of the Honourable Members have been fairly fully seized with the subject matter of the Bill for a good many days past. I am entirely in your hands and in the hands of the House in this matter.

THE HONOURABLE RAI BAHADUR PROMODE CHANDRA DUTTA (Assam: Non-Muhammadan): Sir, I must protest against controversial Bills of this sort being brought forward at the fag end of the Session and rushed through the Council. This not only deprives Members of the opportunity for a full discussion, but it is also discourteous to the House. During the last seven or eight days you have been asked twice to suspend the rules of business. I know, Sir, the opinion that is held outside about this Council, and I am afraid that the Government is doing its level best to foster that opinion. I oppose the suggestion.

THE HONOURABLE MR. SATYENDRA CHANDRA GHOSH MAULIK (West Bengal: Non-Muhammadan): Sir, the Bill which has been laid to-day affects Bengal consumers a great deal, and I think it would be doing an act of injustice to Bengal if the Bill is taken up to-day. I think if it is taken up to-morrow it will be helpful to us.

THE HONOURABLE THE PRESIDENT: In view of what has been said by Honourable Members, I think it is clear that I should not permit the rule to

be suspended to that extent that the motion for consideration should be made to-day. I take it, however, that it is the general wish of the House that the consideration of the Bill should not be postponed beyond to-morrow.

THE HONOURABLE MR. J. A. WOODHEAD (Commerce Secretary): Sir, with reference to the Bill to impose a temporary duty of customs on the importation of wheat, this Bill was laid to-day and was passed by the Legislative Assembly yesterday. It will, I think, be convenient to the Honourable Members of the House if the rules of business are suspended and the usual time is shortened. Whether the Bill should be taken up to-day or to-morrow, I am entirely in your hands and in the hands of the House.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS (Punjab : Non-Muhammadan): Sir, as this is rather an important Bill, I request that it be taken up for consideration to-morrow.

THE HONOURABLE MAJOR NAWAB SIR MAHOMED AKBAR KHAN (North-West Frontier Province : Nominated Non-Official): Sir, I support the suggestion made by my Honourable friend Rai Bahadur Lala Ram Saran Das. The Bill is of very great importance to the agriculturists and we want time to prepare ourselves. I think we can take up the Bill to-morrow.

THE HONOURABLE THE PRESIDENT: Before I give decision on the particular point which is now before the House I should like to make one general remark. The Honourable Member from Assam, if I understood him rightly, charged the Government with showing no consideration to the feelings of the House. If by that he intended to indicate that the Government as represented in this House was trying to force the Council to take up Bills without due time for consideration and deliberation, I think he was wrong. I have not been pressed by any Honourable Member of the Government to shorten notice to any extent. They have always said that they are prepared to do anything which would meet the convenience of the House. At the same time my sympathies are with the House in this matter. Year after year in the Delhi Session we have very much the same sort of trouble and hustle at the end of March or the beginning of April. The Honourable the Finance Secretary a few days ago referred at some length to this matter and I think it was he who said that in his opinion the proper course was to alter the Provisional Collection of Taxes Act and to increase from 30 days to 40 days the period within which a Bill to which the provisions of that Act have been declared to apply must become law. I would like to take this opportunity of expressing the opinion that I do not think that that is the right solution. The result of extending from 30 days to 40 days the period to which the Provisional Collection of Taxes Act refers would be, I think, in the first place, an inducement to adopt dilatory methods and I think it is extremely probable that the 40 days would inevitably be fully occupied; that is to say, if the Finance Bill, for instance, is introduced on the last day of February or the first day of March, it will be the 8th or 9th of April before it is finally passed in this Chamber. This is inconvenient for those Honourable Members who are not living in their own homes and particularly to those Honourable Members who come from sea-port towns and from Southern India and who are not used to the dry hot climate of Delhi at this time of the year. For them there is a great deal of inconvenience. Moreover, it will frequently happen that within the 40 days, the period of the Easter holidays will fall and that will mean that the 40 days will necessarily be shortened by 3 or 4. I put forward a suggestion long before I occupied the Chair of this House, and that is, that the only real solution of the difficulty

[Mr. President.]

which Honourable Members experience year after year is that the Government should arrange to introduce the Budget one week earlier than they do at present. I am not suggesting that the date of the introduction of the Finance Bill should necessarily be altered. But the Budget should be introduced earlier. That would mean that with one extra week, the voting of Demands for Grants could be got out of the way by the end of the first week of March and from then onwards the Legislature would have time to consider the Finance Bill at its leisure. I put forward this suggestion for the consideration of the Government.

Turning to the Wheat Bill, it is the obvious desire of the House not to proceed with it to-day, and we shall therefore take up the motion for consideration of that Bill as passed by the Legislative Assembly, to-morrow. At the same time I think it would be convenient to the House if to-morrow we did what we did on Saturday, that is to say, if we met at 10 o'clock in the morning instead of at 11 o'clock. That will give the House ample time to deal with both Bills in the manner in which they should be dealt with.

INDIAN FACTORIES (AMENDMENT) BILL.

THE HONOURABLE SIR JOSEPH BHOORE (Industries and Labour Member) : Sir, I beg to move that the Bill further to amend the Indian Factories Act, 1911, for a certain purpose, as passed by the Legislative Assembly, be taken into consideration.

Sir, this is a very small measure, as I have already said, consisting of only one operative clause, and the reason for it has been fully stated in the Statement of Objects and Reasons.

Sir, I move.

The motion was adopted.

Clause 2 was added to the Bill.

Clause 1 was added to the Bill.

The Title and Preamble were added to the Bill.

THE HONOURABLE SIR JOSEPH BHOORE : Sir, I move that the Bill, as passed by the Legislative Assembly, be passed.

The motion was adopted.

The Council then adjourned till Ten of the Clock on Thursday, the 2nd April, 1931.

COUNCIL OF STATE.

Thursday, 2nd April, 1931.

The Council met in the Council Chamber of the Council House at Ten of the Clock, the Honourable the President in the Chair.

SALT (ADDITIONAL IMPORT DUTY) BILL.

THE HONOURABLE SIR ARTHUR McWATTERS (Finance Secretary): Sir, I beg to move that the Bill to impose a temporary additional duty of customs on foreign salt, as passed by the Legislative Assembly, be taken into consideration.

Sir, in explaining the genesis of this Bill to the House it is necessary to go back two years to a motion which was moved by Mr. Kelkar in the Legislative Assembly in which he carried a cut of Rs. 100 under the head "Salt" in order to draw the attention of Government to the importance attached by the public to making India self-supporting in the matter of salt. The Government had prior to that date undertaken a departmental inquiry with negative results, but as a result of the motion carried in the Legislative Assembly they agreed to refer the matter to the Tariff Board, and that reference was made in July, 1929. Honourable Members are no doubt acquainted with the general results of the Report of the Tariff Board and I will refer very briefly only to their most important recommendations. Their conclusion was that in the national interest the Bengal market should be supplied as far as possible by rail-borne salt, but that, so far as this source of supply is insufficient, Indian sea-borne salt—and that for reasons which they gave included Aden salt—should be encouraged, provided that thereby no heavy burden is imposed on the country or the consumer. They went on to recommend that Government should undertake a thorough survey of the sources of supply with a view to their development, and they finally stated that no development of Indian sources of supply of salt is possible until the prices in the Calcutta market are stabilised. The actual scheme which they proposed was for a Marketing Board, but they realized that a scheme of that kind could not be introduced immediately and would require very careful consideration and examination, and therefore as a temporary measure they proposed that Government should immediately take control of the supply of imported salt. On receipt of that Report the Government of India circulated it and took the opinions of all Governments and bodies interested, and at the same time they undertook in connection with the Tariff Board's recommendation a special survey of the salt sources by a small Committee consisting of Sir Chunilal Mehta and an engineering salt expert, Mr. Pitt. That Committee sent in a long technical report, but the gist of it is that they came to the conclusion that India, and even continental India, taken by itself, can be made independent of foreign salt, but that foreign salt cannot be eliminated for three or four years or possibly even more. They also recommended that prices should be stabilised as the Tariff Board suggested, and for a period of at least 10 years. The next step Taken was to form a special Committee of the Legislative Assembly to consider the Tariff Board's Report and the special report of the Salt Survey Committee. the special Committee of the Legislature examined the proposals which I ad

[Sir Arthur McWatters.]

been made and came to the conclusion by a majority that, while they were in agreement with the policy proposed by the Tariff Board in the general interests of the country, they were of opinion that the interim measure proposed by the Tariff Board for Government control of salt could not be carried out without almost as much careful inquiry and organisation as their major proposal for a Marketing Board, and therefore they set themselves to devise some alternative scheme which would enable the general policy of the Tariff Board to be worked out in some simpler manner—some form of emergency action of a simpler form than the Tariff Board had suggested—and the recommendation they made was this. First, that an additional duty of 4 annas 6 pies per maund on all salt, Indian or foreign, imported by sea should be immediately imposed. Secondly, they suggested that the Executive should be empowered in certain circumstances to increase the amount of that duty. And thirdly, that a rebate equal to the additional duty should be granted on imported Indian salt (including Aden salt) on the producers undertaking to deliver a stipulated quantity of salt to Government at any time at the fair selling price fixed by the Tariff Board.

Those recommendations are included in the Bill which is now before the House. This Bill is intended to be a temporary measure. The House will observe that the new duty is to be imposed for one year only. Its object is to stabilise prices, wholesale prices, at a price which, taking a long view and based on the figures which the Tariff Board gave as the fair selling price, may be considered fair to the consumer. The object of taking this emergency step is to enable Government to take in hand at once the development of salt sources, particularly at Khewra, and also to endeavour to see what can be done to regulate retail prices of salt. It is recognised that until wholesale prices are stabilised any attempt to regulate retail prices is bound to be ineffective. I will only add, Sir, that the Committee of the Legislature recommended that there was a strong equitable case for the application of the proceeds—that is, after the necessary expenditure had been incurred for the development of salt sources—for the benefit of the consumers in the provinces concerned. The Government of India have definitely accepted in principle that they should make over to the provinces which consume imported salt the proceeds of this extra duty after deducting an amount, which they estimate at from 3 to 5 lakhs, that is not more than one-eighth of the total amount which the new duty is expected to bring next year, for the benefit of those provinces. The exact form of distribution is a matter which will require some further examination, but the general principle that that should be done has been accepted by Government.

That, Sir, is all I think it is necessary for me to say in regard to the principle of this Bill. The Bill is based on the belief that there is a majority at any rate of public opinion in favour of the policy of developing internal salt sources in India, and in the belief also that the only way to make a start in this matter is to proceed as we are doing in this Bill. We believe that the result, taking a long view, should not be harmful to the consumer, and in order to give such benefit as we can to the provinces which are contributing this sum we are proposing a distribution of the greater part of the proceeds. That, Sir, is all that is necessary to say on the principle of the Bill. It is possible, as elsewhere, that objections will be raised to this Bill perhaps on principle, perhaps on detail; and if so, it may be necessary for me to enter into the matter further. But for my present purpose what I have said is sufficient to explain why I am moving for the consideration of this Bill.

THE HONOURABLE THE PRESIDENT : The question is :

"That the Bill to impose a temporary additional duty of customs on foreign salt, as passed by the Legislative Assembly, be taken into consideration."

The motion was adopted.

THE HONOURABLE THE PRESIDENT : Clauses 2 and 3. The question is that these clauses stand part of the Bill.

THE HONOURABLE RAI BAHADUR PROMODE CHANDRA DUTTA (Assam : Non-Muhammadan) : Sir, we have something to say on the principle of the Bill.

THE HONOURABLE THE PRESIDENT : I did not catch what the Honourable Member said.

THE HONOURABLE RAI BAHADUR PROMODE CHANDRA DUTTA : We have something to say on the principle of the Bill.

THE HONOURABLE THE PRESIDENT : I gave the House ample opportunity to say what they had to say on the Bill. After putting the question I waited a long time before I took the vote. The Honourable Member, I am afraid, missed his opportunity.

THE HONOURABLE RAI BAHADUR PROMODE CHANDRA DUTTA : You were on your feet, Sir, and it was not possible for us to get up.

THE HONOURABLE THE PRESIDENT : The Honourable Member can speak on any clause on which he wishes to speak. I am putting the clauses one by one. If he wishes to speak on any clause and if he rises in his place, I shall certainly give him an opportunity.

THE HONOURABLE THE PRESIDENT : The question is :

"That clause 2 do stand part of the Bill."

The motion was adopted.

Clause 2 was added to the Bill.

THE HONOURABLE THE PRESIDENT : The question is :

"That clause 3 do stand part of the Bill."

The motion was adopted.

Clause 3 was added to the Bill.

THE HONOURABLE THE PRESIDENT : The question is :

"That clause 4 do stand part of the Bill."

THE HONOURABLE MR. SATYENDRA CHANDRA GHOSH MAULIK (West Bengal : Non-Muhammadan) : Sir, I am afraid I cannot congratulate the Government upon this Bill. They have no doubt been actuated by a very laudable desire to encourage the salt industry in India. There is a good deal for them to atone for, in respect of their sins of omission and commission in this respect. The way in which the salt industry in Bengal, for instance, has

[Mr. Satyendra Chandra Ghosh Maulik.]

been throttled by them constitutes in fact a most melancholy chapter in the history of that province. It is something that under the pressure of public opinion they are beginning to wake up to a sense of their responsibilities. If, however, the present Bill is to be regarded as an earnest of the manner in which they wish to proceed, I am afraid the remedy may prove worse than the disease. The existence of an import duty on salt has, as Government must be aware, been a sore point with nationalist India and if there is one thing more than the other for which nationalist India has been crying itself hoarse, it is the total repeal of all imports in this prime necessity of life. It is a sad reflection therefore that far from working to that end, Government propose by this Bill to add still further to the existing burdens of the consumer of salt. It may be that the burden will fall not on the whole country, but mainly on the province of Bengal as well as Burma. But, Sir, I venture to think that in these days of nationalist outlook the grievance of Bengal or Burma must be the grievance of the whole of India. Bengal and Burma at present derive the whole of their salt from foreign sources. Why or how that is so, I will not go into that question, but the fact remains that things have been so contrived there in the past that these provinces have not found it possible to be independent of foreign salt. We may leave aside the case of Burma for the present, for admittedly this has neither been investigated by the Tariff Board nor by the Salt Survey Committee. The problem before us at this moment is practically that of Bengal alone, and that problem shortly stated is how to obtain for Bengal from Indian sources the quantity of 500,000 tons of fine white crusted salt which she at present consumes every year. Of this 500,000 tons, 180,000 tons come from Aden and if Aden is regarded as a part of India for present purposes—a proposition to which in passing I may state I demur—the question reduces itself to one of finding 320,000 tons from India proper. There are, we know, several centres of production of salt, of solar as well as brine salt, in India, but their present output both as regards quality and quantity is wholly insufficient to supply the needs of Bengal. So far as the centres of production in Madras and Bombay are concerned, it seems to have been accepted on all hands that they must be left out of account altogether as possible sources of supply of the Bengal market by reason alike of the quality and quantity of the salt produced there as well as of the cost of production and transport. The Tariff Board in fact looked into the sources in Northern India and Central India or Rajputana as the most likely field for development and expansion in order to provide for the market in Bengal. The Tariff Board looked forward also to a substantial increase of production in Aden. As regards the existing sources in India proper, the Tariff Board pointed out that the normal method of transport on an economic basis from Karachi and Okha must continue to be by sea as it is at present, while the salt which is produced at Khewra and the Rajputana sources is and will be rail-borne. Now, Sir, so far as the sea-borne salt, that is to say, the salt from Karachi and Okha, is concerned; the present total output there is only 25,000 tons and the Tariff Board estimate, that with sufficient assistance this output in India proper might in the course of some years be increased to 147,000 tons. Even then it is clear that it will be wholly insufficient to supply the requirements of Bengal. Apart from that, on economic grounds the Tariff Board have come to the conclusion that it will not be in the national interest to afford any protection to these sources by means of an additional differential duty on foreign salt; and as far as Aden salt is concerned, they are also of opinion that it does not require protection. At the time the Tariff Board were writing this report, the foreign salt was selling at Rs. 53 per 100 maunds ex-ship, and basing their calculations on that

figure and of Rs. 66 which they calculated to be the fair selling price, the Tariff Board estimated that if a protective duty was to be put on, it would have to be between Rs. 1-4-0 and Rs. 1-6-0 per maund. This increase in the duty would represent an additional burden of nearly Rs. 20 lakhs on the Bengal consumers. The Tariff Board has no hesitation whatever in rejecting the proposal for inflicting such a burden on the Bengal consumer in the interests of Karachi and Okha. This is how they put their conclusion at page 59 :

"Considering the limited extent to which the national interest will be served by the establishment of the salt industry at Okha or Karachi, it would be entirely unreasonable to expect the consumer in Bengal to shoulder a burden of this magnitude."

Taking into account the further fall in the prices of imported salt which has since taken place, the burden to-day on the Bengal consumer would be nearer 35 lakhs than 20. Well, Sir, I fail to understand why, in the face of this express declaration of opinion by the Tariff Board, Government should think of levying a protective duty on salt. It is true that the Tariff Board say that so far as the sources of rail-borne salt in India are concerned, it stands on a different footing from sea-borne salt and that a stronger case exists from the national point of view for the encouragement of the production of fine white crusted salt at Khewra and the Rajputana sources of supply. The Tariff Board were unable to make a survey themselves of the possibilities of these sources of supply : but pursuant to their recommendations Government have since caused the survey to be made by Sir Chiunnil Mehta's Committee, and for our present purposes we may assume that the manufacture of salt at these sources can be so developed that in course of time a considerable portion now imported into Calcutta by sea will be produced in India and supplied direct by rail to the consuming centres. But, Sir, in order to achieve such a result two things require to be kept in mind. One is that the stability of prices would have to be ensured if foreign competition was to be eliminated, and secondly—this is a very important fact which ought not to be overlooked—that whatever may be done, protective duty or no protective duty, it will be several years yet before these Indian sources can be developed to any appreciable extent so as to make it unnecessary or unlikely that any import of foreign salt by sea will continue. It is more than certain that for the next four years or so, at any rate, Bengal will in any case have to depend to a large extent on the importation of foreign salt to supply her ordinary needs. Sir, remembering these two facts, I confess I can see no justification whatsoever for the proposals embodied in the Bill. Foreign salt is now selling in Calcutta, let us say, at Rs. 30 per 100 maunds ex-ship. You are going to impose a duty of Rs. 0-4-6 per maund which will raise the price by Rs. 28-2-0 per 100 maunds. The price of foreign salt will then stand at Rs. 64-2-0 per 100 maunds ex-ship. This would no doubt help to raise the price of Indian salt to about the same level and thereby ensure a fair selling price for it. If, Sir, this meant that the consumer could depend upon obtaining salt in future at this price and nothing higher, I for one would not mind the temporary hardship which he would be put to by reason of the immediate increase in the price at which he is at present obtaining his salt. Sir, I am here to recognise that the advantage of the very low prices which the Bengal consumer is enjoying to-day is an artificial one due to the uneconomic prices which the foreign manufacturer is charging. The danger, however, I apprehend is that as a result of this duty the Bengal consumer will not only lose this temporary advantage but will be faced with the rise of an indeterminate increase. Sir, the power taken in clause 5 (5) of the Bill, I submit, is wholly inadequate to achieve the object it has in view, namely, that of protecting the consumer against the price of salt going up beyond the fair selling price fixed by the Tariff Board, namely, Rs. 63-11-0.

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By that clause Government is taking power purely to regulate the price of India produced salt and keeping it at or below that level, but the foreign salt is left without any control, without any restrictions. The only limitation on the foreign product is the duty, but, Sir, all the same the consumer is left wholly at his mercy. Seeing that India proper will not be in a position for some years yet to produce all the salt which Bengal requires even including Aden, seeing that Bengal will yet have to depend for more than 3/5ths of her present needs on the Red Sea manufacturers, I should like to ask how it is possible to prevent the foreign manufacturers from putting up the prices as high as they like. I ask how by the mere imposition of this duty you can save the Bengal consumer from ruthless exploitation by the Red Sea traders if they should be bent on it. And, Sir, it is elementary that if out of 500,000 tons it is left open to the manufacturer to manipulate the price of 300,000 at any level which his caprice or rapacity may dictate to him it is idle to expect that the price of the remaining 200,000 tons to the consumer can be kept at a much lower level however much you might seek by means of your duty to maintain your control over it. The result will be that in the name of protection of the whole industry the Bengal consumer will find himself between the devil and the deep sea, or shall I say the Red Sea. That is the position, Sir. The benefit you are going to give the consumer—I mean the ultimate benefit, for admittedly immediate benefit there is none—is a snare and a delusion. Is that right, is that fair? Suppose, Sir, on the other hand, the price of foreign salt is lowered still further than it is to-day, in that case the duty becomes wholly ineffective. It will no doubt benefit the consumer for a time, but will hit even the Aden producers very hard, because the Red Sea salt will then be able to cut the throat of Aden quite as well as that of Khewra and Rajputana. Sir, I admit I am not looking very far ahead, but, Sir, the Bill is only a temporary measure and we are concerned more with the next year or two than with what may happen in the remote future. I submit, therefore, that it is a hasty and an ill-considered piece of legislation. It shuts one door only to have another open.

I beg therefore to oppose the Bill in the name of Bengal.

THE HONOURABLE SIR ARTHUR McWATTERS: Sir, the Honourable Member's speech has been made on one of the clauses, but in point of fact that being one of the substantial clauses of the Bill it is in effect an opposition to the Bill as a whole, and I think I am in order, Sir, in treating it as such. I quite agree that there is a good deal that can be said on both sides on this question. I admit that it is one of those cases where local interests may from certain points of view appear to conflict with interests of other parts of India or of India as a whole. I admit that we may be said to be taking some chances in this matter, that it is not certain that our policy will be successful, but I cannot agree with the Honourable Member that the action that is being taken is hasty or ill-considered. It is hasty only in the sense that any action of this kind which imposes additional tariff duties has necessarily to be taken quickly, and that accounts for our inability to consult again the authorities in the provinces which are mainly concerned. As a matter of fact, of course, on the Report of the Tariff Board we had the opinions in full of the provinces concerned and the various associations in those provinces, and we know quite well what their views would be on this particular Bill which raises the same issues as are raised in the Tariff Board's Report. But if action was to be taken at all, I think it is inevitable in the circumstances that action

had to be taken quickly. The real question is, is it worth pursuing the principle which we are aiming at—the principle which we have very strong reasons to believe has the support of a very considerable body of non-official opinion? That is the first point. The second point is, will our Bill really enable us to give effect to that policy. And here the Honourable Member made one or two comments—quite legitimate comments too—which I think require an answer. He made a point that we are not really controlling the price of imported foreign salt and therefore we shall not be able, in practice, to stabilise imported prices. Well, Sir, I think he has possibly under-estimated the effect of that provision in the Bill which enables us to obtain from imported Indian salt, including Aden salt, the amount of salt which we require at a fixed selling price. We have in our hands therefore not only the possibility of bringing down-country more salt from our own sources but of adding to that 200,000 tons of imported salt at a price which we shall fix. Therefore, I think, the remaining foreign importers will not be in the same strong position to operate by way of rings and otherwise to raise prices against us. That, at any rate, is what we hope, and we have some confidence that this policy will prevent the foreign importer from acting as has been done sometimes in the past. If the Honourable Member will read the relevant passages in the Tariff Board's Report, he will see that in the past prices of imported salt have on occasions risen to extreme heights owing to various arrangements between foreign importers and producers, and we hope that the policy which is being adopted in this Bill will enable us to counter any action of that kind. In the second place, the Honourable Member himself talked about the temporary advantage which the Bengal consumer was getting from the exceptionally low prices of imported salt which ruled before this Bill was introduced—something like Rs. 35 per hundred maunds. That price is, I have no doubt whatever, far below the actual fair selling price of salt having regard to cost of production and freights, and therefore it is not a price which could in any probability be maintained for any period of time worth having. Therefore, in the long run, the price of imported salt was bound to rise and the benefit which the consumer is getting in Bengal and the neighbouring provinces could only be a temporary benefit. Incidentally, as always happens with salt, the full benefit of heavy falls of this kind does not at once—indeed ever—reach the small consumer, because salt is for the most part sold in such small quantities that it is impossible for the small consumer really to get the full benefit of these sudden drops in the imported price. Therefore, although there is no doubt some force in the argument that the Bengal consumer will have to pay higher prices than he has been paying recently, I think that the arguments that are occasionally used on this subject are apt to be exaggerated. We hope, Sir, as I explained before, that our policy will not do any serious harm in the long run to the consumer. It is an experimental policy. It will remain in force for only one year and the great advantage of this method of procedure is that we can, if necessary, at the end of the year remove this duty without causing any particular upset. For, if we had followed the Tariff Board scheme of Government taking control of imported salt, it would be a very difficult matter indeed to recede from that position.

THE HONOURABLE THE PRESIDENT : The question is :

“ That clause 4 do stand part of the Bill.”

The motion was adopted.

Clause 4 was added the Bill.

Clauses 5 and 6 were added to the Bill.

Clause 1 was added to the Bill.

The Title and Preamble were added to the Bill.

THE HONOURABLE SIR ARTHUR McWATTERS : Sir, I move that the Bill, as passed by the Legislative Assembly, be passed.

THE HONOURABLE RAI BAHADUR PROMODE CHANDRA DUTTA (Assam : Non-Muhammadan) : Sir, I oppose the passing of this Bill. I do so on various grounds. In the first place, Sir, I would ask the House to consider what our position really is. Three-fourths of the salt consumed in this country is produced locally and the remaining one-fourth is imported from foreign countries and the whole of this salt is practically absorbed by the Bengal market. This Bengal market serves besides the province of Bengal, Assam, from which I come, and the province of Bihar and Orissa. It is for these provinces to say whether they will go in for cheap foreign salt, or consume the salt produced in India and pay a higher price for it. They have made their wishes in the matter perfectly clear. The Bengal Council is against the import duty, the Bengal National Chamber of Commerce is against it, the Indian Association in Calcutta is against it, and the entire Bengal Press is against it. I ask my Honourable friends from other parts of India whether by virtue of their superior numbers they are justified in riding roughshod over the feelings of the Bengal people. The position of Assam and Bihar and Orissa is the same in this matter. If these provinces are forced to submit to a burden of that sort against their will, I for myself despair of the future of our inter-provincial relations. I am indulging in no hysterics. The fear is well-grounded and is freely and widely expressed. An import duty is good in certain circumstances, but where it involves the exploitation of your neighbour, it is better that you fight shy of it. If exploitation by a foreign power is bad, exploitation by one's own people is also an evil. Secondly, Sir, I appeal to the Government to say whether they are not treading on uncertain grounds. The Honourable the Finance Member, if he has been correctly reported, said in the other House that in imposing this duty he was treading on uncertain grounds. If that is so, is it fair, I ask in view of this uncertainty, to burden Bengal with a burden of this magnitude? Thirdly, Sir, as the Honourable the Finance Secretary has said, Local Governments have not been consulted on this Bill. This, I submit, ought to have been done. If this had been done, I think they would have found that there is strong opposition to the Bill which they are not in a position to face. It has been said that 7/8ths of the proceeds from this additional duty will be spent on the provinces concerned, namely, Bengal, Bihar and Orissa and Assam. Sir, these provinces have their own Legislative Councils and they know how to tax themselves for their own purposes. This act of the Government of India is an usurpation of the functions which belong to them. There are interests which for them are far more urgent than the charitable one of supporting Okha, a port in an Indian State, and Karachi. For all these reasons, I submit that this Bill ought not to be passed.

THE HONOURABLE THE PRESIDENT : The question is :

“That the Bill to impose a temporary additional duty of customs on foreign salt, as passed by the Legislative Assembly, be passed.”

The motion was adopted.

WHEAT (IMPORT DUTY) BILL.

THE HONOURABLE MR. J. A. WOODHEAD (Commerce Secretary): Sir, I move that the Bill to impose a temporary duty of customs on the importation of wheat, as passed by the Legislative Assembly, be taken into consideration.

Sir, this also is a temporary measure, the main provision of the Bill being the imposition of a duty on imported wheat for a period of one year ending the 31st March, 1932. It will perhaps be convenient if I commence my remarks by a short review of the statistical position in regard to Indian wheat, as this will perhaps enable me to explain to Honourable Members the main facts which weighed with the Government in coming to the decision that action should be taken on the lines of this Bill. During the five years previous to 1928-29, the production of wheat in India was in excess of the internal demand and during these years India exported considerable quantities of wheat. The position was reversed in 1928-29 and 1929-30. The crops reaped in the years 1928 and 29 were below normal, the amount of wheat produced being below the amount necessary to meet the internal demand, and during the two years, 1928-29 and 1929-30, large quantities of foreign wheat were imported into India. In 1928-29 the imports reached the high figure of 550,000 tons, and in 1929-30, although they were rather less still the amount was as high as 350,000. These large imports were not unexpected, as naturally when the Indian production falls below the Indian demand the gap must be made up by the importation of foreign wheat. In 1930 the position again changed. Instead of a short crop the Indian crop that year was a bumper one, being one of the largest, if not the largest, on record. The estimated crop in that year was just under 10½ million tons. With such a large crop it would be natural to expect that imports in the year 1930-31 would fall to the normal figure, somewhere about 50,000 tons, and that exports would be on a considerable scale. During the first six months, that is up to October, 1930, the expected happened, although perhaps the exports were not on such a considerable scale as might have been expected in view of the size of the crop. Up to the end of October, 1930 exports amounted to about 190,000 tons. Imports were small. Practically no foreign wheat had come into Calcutta up to October, 1930 and the imports into Bombay were not large, being about 20,000 tons. During the year 1930 world wheat prices fell precipitately, and up to about the middle of December of the same year the price of Indian wheat fell with world prices. The price at Karachi about the middle of December 1930 was less than half what it was at the beginning of the year, that is in January, 1930. Up to October-November, Sir, the position then was that a considerable amount of wheat had been exported, imports were small and the prices of Indian wheat in the internal markets had fallen proportionately to the fall in world prices. The position changed however about the middle of December, 1930. The internal price of wheat in India rose substantially and lost its relation to world prices, in other words, Indian prices rose above world parity, exports ceased and imports increased very considerably. The increase in imports was very marked in the four weeks ending the 28th of February, for during that period over 50,000 tons of foreign wheat arrived at the ports of Calcutta and Bombay. The position at that time was therefore this; Indian wheat prices, although they were at a very low level, at a level at which the return to the cultivators was very small, had ceased to have a definite relation to world prices; exports had altogether ceased and foreign wheat was being imported in very considerable quantities. In addition, we had information that orders had been placed for a considerable amount of Australian wheat for delivery during March and succeeding months. It was these circumstances which raised the question

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whether it was not desirable to impose an import duty on wheat in order to assist the Indian producer by preserving for Indian wheat the home markets in India.

I should now like, Sir, to explain as shortly as I can what in the view of the Government of India an import duty can do in existing circumstances and what it cannot do. When an import duty is imposed one normally expects the price of both the imported and the indigenous article to rise, and not only to rise but to rise to the full extent of the duty imposed. That is what normally happens, because in those cases it is the cost of the imported article which regulates the price in India. If that condition is fulfilled, that is, the internal price is regulated by the cost of importation, then the imposition of an import duty increases the price of the indigenous article in India. But if that condition is not fulfilled, the imposition of an import duty cannot have the result of raising internal prices. That condition, Sir, is not satisfied to-day in India in the case of wheat, and that it is not satisfied is shown clearly by the fact that, although the heavy duty of Rs. 2 per cwt. imposed by the present Bill came into force from the date of the introduction of the Bill, that is the 20th of March, the price of wheat in the markets of Northern India to-day is not higher, if anything it is lower, than it was when the Bill was introduced. The reason why the price of wheat in India does not increase as a result of the increase in the rise of imported wheat consequent on the imposition of the import duty is the existence in India to-day of a large surplus stock of Indian wheat. It is difficult to say exactly what that surplus is, but I think there can be no doubt that the surplus is quite a large one. Now, Sir, so long as there is a large exportable surplus of wheat in the country the price of wheat in India cannot depend on the cost of importation and it is impossible therefore for an import duty to operate in what is considered the normal manner by raising the price of the indigenous article. So long as this large surplus exists the imposition of an import duty will have little effect, if any, on prices in India, and the main advantage which will accrue to the Indian producer at the present moment and under existing circumstances is that the duty will, by preserving to Indian wheat the market at the main ports and their immediate neighbourhood, enlarge considerably the markets in which the Indian producer can dispose of his crop.

Perhaps I might now give some indication to the House of the size of the market which if the Bill becomes law will be secured for the Indian producer. The consumption at the areas at and immediately round the principal ports is estimated at from 450,000 to 500,000 tons a year. Our information is that the total quantity of wheat for which orders have been placed before the 1st March for delivery after the 1st March is approximately 150,000 tons. If this figure of 150,000 tons is deducted from the figure of 450,000 tons the balance is 300,000 tons, and that is I think, Sir, a fair estimate of the market likely to be secured to the Indian cultivator. But there is something beyond that, and it is this. If the difference between Indian prices and world prices should move further apart, and I think, Sir, it would be a wise man who would prophesy that that is impossible, we might reach a point where foreign wheat could not only displace Indian wheat at the main ports and their immediate neighbourhood, but might travel upcountry and displace Indian wheat in the upcountry markets. If that should happen, the extent of the market lost to the Indian producer would be very much in excess of 300,000 tons. This possibility weighed considerably with Government in coming to their decision to introduce this Bill. The Bill, Sir, will therefore not only secure to the Indian produce

the markets at the principal ports but is a measure of protection or insurance against the upcountry markets being lost to the Indian cultivator, and in considering the benefit which the Bill will confer and which will accrue to the Indian producer, I would ask Honourable Members to bear that point particularly in mind.

As regards the amount of the duty, the view which Government took was this. In determining the duty, it was impossible to follow the usual method of comparing the fair selling price of Indian wheat and the price of imported wheat. In the first place, it is extraordinarily difficult to determine the fair selling price of an agricultural product, and, secondly, as I have tried to explain, under present circumstances, there are no means available by which that fair selling price can be secured. In the second place, it is quite impossible to determine the future course of the price of foreign wheat. In these circumstances, Government came to the conclusion that it was impossible to fix the duty on what is considered the usual method that should be adopted, and they decided that the best way would be to fix the duty at such a rate as would be really effective for the purpose in view, namely, to secure the Indian market for Indian wheat and to impose the duty for one year only, because conditions in these abnormal times may change so rapidly that the position at the end of March, 1932 may be entirely different from what it is to-day. Again, Sir, there was the less objection to this course because, as I have explained, so long as there is a large exportable surplus in India, the price of Indian wheat will not be regulated by the cost of importation; in other words, the price in India will not rise by the amount of the duty.

The Bill, in addition to a duty on wheat, also seeks to impose a duty on wheat flour. That, Sir, is consequential. It is obvious, Sir, that if it were possible for foreign wheat flour to undersell wheat flour made from Indian wheat at the principal ports, the very object of the Bill would be endangered. Not only would the object of the Bill be defeated, but the millers at the principal ports would be compelled to close down as it would be impossible for them, deprived as they would be of cheap foreign wheat, to compete with foreign flour. There is at present an import duty of 20 per cent. *ad valorem* on wheat flour and at first Government tended to the opinion that in view of the probable level of wheat prices in India, it was unlikely that the danger of the import of foreign flour would materialise. On reconsideration, Sir, they finally came to the conclusion that it would be unwise to run this risk and the Bill now before this House provides for the same duty on wheat flour as on wheat. I might say, Sir, that the imports of wheat flour into India are practically negligible and therefore the imposition of this duty on wheat flour will not interfere with any established trade.

I now turn, Sir, to clause 3 of the Bill, which seeks to exempt from the import duty wheat ordered before a certain date. This clause has been included because of the position of the mills at the principal ports. As I have already tried to explain, ordinarily the price of an imported article on which a duty or an additional duty is imposed is raised by the full amount of the duty. When this is the case, the importer is in a position to recoup himself for the extra cost he has incurred on account of the duty; and this, Sir, explains why when a duty is imposed it ordinarily takes effect at once, and no concession is made to merchants and others who have already placed orders ahead. In those circumstances no concession is given or required, because the importer can, owing to the increase in price consequent on the duty, recoup himself for his increased expenditure. That is, however, not so in the present case. I have also tried to explain that so long as there is an exportable surplus of wheat

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in India, the imposition of the duty cannot be followed by corresponding increase in the price, and if no concession were made, the mills would be unable to recover the additional expenditure which they would have to incur in consequence of the duty from their customers. This would, Sir, be a most serious matter for the mills at the ports, because the burden would be a heavy one. The duty of Rs. 2 a cwt. is Rs. 40 a ton and the House will obtain some idea of the burden imposed if I remind them that on a single cargo of 5,000 tons the duty payable will be Rs. 2 lakhs. It is this abnormal position as regards the effect of an import duty on wheat which makes this unusual concession necessary. To refuse this concession would place the mills at the ports in a most difficult financial position and certainly might drive them to bankruptcy. Again, Sir, I should like to remind Honourable Members that India has a considerable export trade in wheat flour. The exports from Bombay to countries of the Near East and Africa average between 50,000 and 60,000 tons a year, and Calcutta also supplies 20,000 tons to Burma. The mills at Bombay can obviously only retain this export trade if they have the advantage of cheap foreign wheat. Deprive them of that advantage and they must inevitably lose for the time being that export trade, and I feel sure that Honourable Members will realise that if a trade is once lost it is extremely difficult to regain it. That, Sir, is another reason for the exemption contained in clause 3 of the Bill. As regards the actual effect of this exemption we have made every endeavour to obtain accurate information, and our information points to the conclusion that the total quantity of wheat which will be exempted under this clause is something less than 120,000 tons.

The only other clause to which I need draw attention is clause 5 which empowers the Governor General in Council, after such enquiry as he thinks necessary, to remit or reduce the duty imposed by the Bill on wheat and wheat flour. It is, I think, obvious that if the exportable surplus, to which I have referred, should be absorbed or otherwise removed and the duty should become fully effective in raising the price of wheat in India, then Government would have to consider, and consider very carefully, whether a duty as heavy as is proposed in the Bill would not place too severe a burden on the consumer. Whether it will be necessary to exercise this power or not it is impossible to say, simply because we cannot foretell the future prices of wheat; but if it did appear that the heavy duty was becoming a serious burden on the consumer it is, I think, right that the Governor General in Council should have power to relieve the consumer of that burden.

Sir, I move.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS (Punjab : Non-Muhammadan) : Sir, the depression in the price of agricultural produce, especially of wheat and jute, this year has been quite unprecedented. I understand that such low prices have never before been experienced. In the Punjab, in certain areas, wheat has been sold at Rs. 1-4-0 a maund. Those who live on agriculture are in a very bad plight. The average rate which forms the basis of revenue assessments in the Punjab varies in different districts, but in no district has this average been taken below Rs. 2-2-0 a maund. I think, Sir, that in this fact the Honourable Mr. Emerson, who has done several settlements in the Punjab, will bear

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me out and, if I am wrong, correct me. The zamindars have to pay land revenue which has been fixed on this basis, and it is now a clear fact that a great number of zamindars have not been able to meet land revenue out of their agricultural produce and have paid the revenue from their savings. In the Punjab, Sir, this position has been very well explained by His Excellency the Governor of the Punjab while speaking at the annual meeting of the Northern India Chamber of Commerce on Saturday last. I will only cite a few extracts from His Excellency's speech to prove the extent of distress that prevails in the Punjab :

"We had then a good wheat crop on the ground and some basis for hope that it represented money. Prices of other agricultural produce, as, for instance, *gur* and gram, were then satisfactory and firm. No one was prepared for the dramatic and general fall which was so soon to take place in the price of practically all agricultural produce—wheat, cotton, rice, *gur*, barley, maize, etc., all sharing in the collapse, or for the pitch, to which the decline would go. This disastrous and universal fall came upon us like a thunder-clap. It was upon this situation of widespread depression that the civil disobedience movement supervened with cumulative effect. I need not dilate on this or on the severe loss which firms and individuals have suffered with capital, either owned or borrowed, looked up in stocks, interest charges piling up and overhead and establishment expenditure outgoing with no incomings."

A reduction in the railway freight on wheat to Karachi and Howrah was the result of the recommendation of the Punjab Government. How far this reduction has helped the Punjab agriculturist it is so far difficult to say, because from the very day that the reduction in freight came into force there was comparatively an equal fall in the price of wheat at the ports. His Excellency further on observed :

"No one is more conscious than myself of the sensitiveness of the balance, in which our fortunes in the Punjab lie. A country of peasant proprietors and small holdings, we cannot afford to restrict agricultural production. Our agricultural population, if divorced from tillage, has no second string to its bow. It has no mills or mines, as in some other provinces, in which to seek paid employment when agricultural prospects frown on it. Its main wealth lies in the 34 crores of rupees which the Government has invested in irrigation, with a view to ensuring a permanent output of agricultural produce, and we must stand or fall on that, though I believe in the long run over a series of years, whatever the vagaries of prices, it is as firm a foundation for prosperity, if not firmer than many others."

I will now, Sir, give the reasons which are assigned to this unprecedented fall in prices. Some people hold that the demand for wheat has grown out of all proportion ; others say that more areas of land under wheat have come into cultivation. As far as these two statements are concerned, Sir, I am of opinion that both of them are wrong as they are not based on facts. From the statements* that I am presenting to this House it is proved, Sir, that the annual consumption of wheat in India has been in the vicinity of about 8½ million tons a year. In this statement it will be found that from the year 1910-11 to 1912-13 the average annual consumption was 85,39,918 tons ; from 1913-14 to 1917-18 it was 86,17,120 tons ; from 1918-19 to 1922-23 the consumption was 87,11,760 tons and from 1923-24 to 1928-29 it was 86,19,566 tons. So, Sir, there has been no appreciable increase in the annual consumption of wheat in India. So far as the area which has been under wheat is concerned, a perusal of this statement will also prove that the area under wheat has been in the vicinity of 3,10,00,000 acres. I will cite some figures to show how this area has differed from time to time. In the year 1923-24 the total area under wheat was 3,11,81,000 acres ; in 1924-25 it was 3,17,74,000 ; in 1925-26 it was 3,04,71,000 ; in 1926-27 it was 3,13,03,000 ; in 1927-28 it was 3,21,93,000 ; in 1928-29 it was 3,19,73,000, and in 1929-30 it

[Rai Bahadur Lala Ram Saran Das.]

was 3,13,47,000. The Honourable Mr. Woodhead while moving for consideration of the Bill has said that in the year 1929-30 the wheat crop was sub-normal. With due deference to him, Sir, I say that the Government Blue-Books do not tally with his statement. In that year the yield was 1,03,53,000 tons, which is above the normal consumption of wheat in India. How he says that in that year the crop was low cannot be understood.....

THE HONOURABLE MR. J. A. WOODHEAD : What year ?

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : 1929-30.

THE HONOURABLE MR. J. A. WOODHEAD : No. I said, Sir, the crop reaped in 1929 was below normal.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : Sir, the figures for 1929 alone have not been published and so are not before me ; otherwise I would have dealt with those figures as well.

THE HONOURABLE MR. J. A. WOODHEAD : The crop reaped in 1929 is usually referred to as the crop of 1928-29.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : Then, Sir, I am right. The crop of 1928-29 was 85,91,000 tons. Even in that year we are practically near the average and therefore I must differ from my Honourable friend the Commerce Secretary.

Now, Sir, I will come to the question of the effect of the dumping and the effect of this Bill in stopping such dumping. I consider that this Bill is admittedly a temporary device, and, in my opinion, this matter is sufficiently important to require a permanent settlement of principle. The import movement into India is only to be justified in seasons of real scarcity, that is, when the price of wheat goes over Rs. 5 per maund and is above the import parity. If there were no import, surpluses in one Indian crop would go to fill up withdrawals on reserves in short seasons and there would be a natural balance in the country. But when one sees the shortage replaced by import and the subsequent surplus lying about saleable only at ridiculous rates, and even then forced down to still lower levels, it becomes a serious matter. In my opinion, the proper device is to permit import of wheat by licence, and licences need only be granted if there is an obvious need for relief of consumers owing to shortage in the country. Government cannot avoid their primary duty in this matter.

I may mention, Sir, that the essential difference between India and other parts of the world is that India has over 350 million customers within her own boundaries and that at best, in an article such as wheat, her exportable surplus in the most favourable years is relatively a small percentage of her production. Letting wheat into India at present is sheer dumping, and unfortunately, behind some of these transactions, is simply a regulation to suit the settlement of speculative transactions. This unprecedented fall in prices in agricultural produce was the subject of an adjournment motion carried in the Punjab Legislative Council in January last. Now, Sir, there are all sorts of rumours current that from Soviet Russia a very big cargo of wheat is likely to come soon into the Indian market. Some time back, Sir, I did put a question in this Honourable House inviting the attention of the Government to the book published by Messrs. Martin Lawrence, Limited, London, "The Five Year Plan of the Soviet Union". As regards this book, Sir, even eminent British journals have spoken in appreciative terms.

"Russia,"
says the *Economist*,

"is making an experiment which is of intense interest not only to herself but to the world at large. What is this experiment? It is called 'the Piateletkor'—the five-year plan of building up a new industry and a new agricultural system, a gigantic effort of a nation covering one-sixth of the world's surface to push through an industrial technical revolution in five years under entirely new methods of State control."

The *Week End Review* says :

"It is impossible to give too much attention to the economic forces shaping in Europe's eastern extremity, on the five-year plan. Everywhere there are questions about it. Every one must decide what attitude they will take up towards it. But the facts are first of all necessary. In this book, one of the leaders responsible for carrying out the plan writes in detail of its economic and political meaning and gives figures of the achievements up to the end of the second year."

In this book, Sir, Mr. G. T. Grinko gives very useful information regarding the danger which is ahead of India. Soviet Russia will dump soon into India wheat, cotton and other agricultural produce to endanger its economic position. I do not want to be long on the subject. If allowed I shall read only small extracts from this book which concern wheat and the area of land under wheat cultivation. I should also like to say, Sir, that two years of this five-year plan have proved a success. So, the idea that this book was gossip does not now hold good. The *Morning Post* of 5th March, 1931, says :

"A FIVE-YEAR PLAN.

It has always been counted wise to learn from the enemy. The Terrible Sect, which governs and owns Russia and the Russians are certainly the enemies of what they nickname Capitalism, or what we prefer to call Western or Christian civilisation, and in particular of Great Britain and the British Empire. They have their plan—to create in five years such a surplus of all commodities as will swamp and destroy our industries and agriculture. They drive ahead with such cruelty and slavery as a cloud of witnesses report; but there is no sense in denying the formidable nature both of their design and their preparations. Have we any plan to oppose to them, or do we merely drift from one expedient to another, as before the attack of the Prussian in 1914? Now there are, as then there were, defeatists and temporisers, secret agents, allies and converts to the enemy....."

THE HONOURABLE THE PRESIDENT: Order, order. It has never been definitely ruled in this House that it is out of order for an Honourable Member to read long extracts from newspapers, but I would point out to him that it is a matter of some doubt and in any case it is a most unusual course to take.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: I have been citing these only to prove what the Soviet Republic anticipated to accomplish in five years and that in the first two years they have accomplished more than they anticipated. I simply gave those extracts from newspapers to prove that I was right in my statement and my submission was based on the authority of these British newspapers. However, Sir, I will not go further into the newspaper reports, and will confine myself to saying that there is a great danger ahead from the Soviet Republic, and I will simply now say how and in what rapidity they are bringing land under cultivation. This is relevant because this affects our future prospects of prices, and in case no safeguards are now adopted against this dumping into India, the Indian economic position two years hence will be very dangerous. It is with that view that I want to place this information before the Government so that they may be prepared for this dumping and to stop wheat imports entirely when the time comes.

THE HONOURABLE SARDAR BAHADUR SHIVDEV SINGH UBEROI (Punjab : Sikh) : This is the first step towards that end.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : Yes. In case you allow me, I will be very brief as regards this five-year plan, because I think it is my duty to place before the Council what that plan is. I will not go into detail and I will request Honourable Members to go through this book and the statements I present to this House. I will simply give a few prominent extracts.

THE HONOURABLE THE PRESIDENT : It would be better if the Honourable Member would give the facts instead of repeating over and over again that he is going to do so. For the last five minutes the Honourable Member has said hardly anything but that he will give the facts to the House. Will the Honourable Member give the facts, and I hope he will spare the House long strings of statistics.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : Very good, Sir.

Page 148 of the book :

"The five-year plan provides that the planted area in the socialized sector shall be increased by 1933 to 27 million hectares, as against the 2·3 million hectares in 1927-28. Of the total, 5 million hectares will be planted by state farms, and 22 million by collective farms."

Then there is a note to that on page 149, which says :

"Since this was written the process of collectivization has been greatly accelerated. In 1928-29, the second year of this period, the accomplishment exceeded the original provisions of the plan for 1932-33. Of the total area of 90 million hectares sown in the spring of 1930 (as of June 25) the socialized sector comprised almost 36 million hectares, or 40 per cent., i.e., more than twice the proportion contemplated for the end of the period in the five-year plan. Of the 36 million hectares in the socialized sector 33·045 million are in collective farms and 2·034 million in state farms. Under the revised estimate, this last will increase to 7·6 million hectares in 1930-31."

Again, Sir, on page 151 :

"Under the five-year plan it was proposed to increase the area under cultivation in state farms to 5 million hectares in 1929-30 with expectations of attaining 2·1 hectares in 1929-30 (*sir*). However, thanks to the success achieved in the first year of the period embraced by the plan, as well as to capital investments twice as large as originally provided, and to the tremendous interest taken in the development of state farms by all the economic regions and national republics in the Soviet Union, it has been possible to project a revised programme which though much increased, is still entirely feasible."

Page 162 :

"15 million hectares of new lands, chiefly in the Steppe region east of the Volga will be added to the productive area."

From this it appears that in the near future Russian wheat will be heavily dumped into India. It is already being dumped into England at very cheap prices. So I hope that if the object which has made the Government of India bring this Bill is not achieved by the duty imposed, and which seems likely, the Government will come forward and totally stop the import of foreign wheat into India to prevent economic disaster.

THE HONOURABLE MR. BEJAY KUMAR BASU (Bengal : Nominated Non-Official) : Sir, my position as a Member of this House from Bengal makes it extremely difficult for me to steer clear of the Scylla of the Bengal consumer on the one hand and the Charybdis of the Punjab wheat growers on the other. I am most anxious to refrain from saying anything which will justify anybody in calling me parochial. I may therefore at once say that I intend to support this duty. But, Sir,—I am afraid there is a "but" however much I may wish to avoid that expression—but, Sir, the great solicitude and

concern which the Punjab wheat growers have been fortunate enough to enjoy at the hands of the Central Government, thanks I suppose to the existence of the Punjab influence in the Government, is a painful and humiliating reminder that the Bengal jute growers have not received any sympathy from that source, nor have they had the good fortune to secure a god-father in the Government, either Central or Provincial. The case of the Bengal jute growers, Sir, is, if I may say so, if anything more pitiful and more heartrending than that of the agricultural population of the Punjab, whose rural districts are comparatively in more affluent circumstances. It has been variously estimated that the loss this season in jute is somewhere near about 20 to 30 crores. As a matter of fact, Sir, while I can only say that the loss is colossal, I will not commit myself to any particular figure. I can say this as an indisputable fact, that the price at which jute has been selling is less than half the cost of production of that commodity. Sir, the jute growers therefore not only did not get anything for their pains, but they are seriously out of pocket, and it is well known that for a jute grower to be out of pocket means to be furthermore in the iron grip of the moneylender. No words of mine can convey adequately the universal and acute distress that has been prevailing in the jute districts of Bengal. Conferences were held; the Chambers of Commerce had discussions; the Provincial Government met representatives of the trade; the Governor was interviewed and waited upon in deputation; pamphlets were broadcasted; editorials were written in newspapers; schemes were made. But what has been the result of all this? The mountain in labour produced a mouse, and in this case the mouse was a short leaflet issued by the Government of Bengal urging a smaller crop for the next year. If I remember rightly, Sir, the Finance Member himself admitted that if the trade could put up a scheme something could be done in the case of a monopoly crop like jute. I find, Sir, that in the case of a commodity like wheat, which is only a 15 per cent. monopoly so far as India is concerned, the Government has been moved to action; but in the case of a cent. per cent. monopoly like jute they have thrown up their hands and said nothing could be done. While I congratulate the Punjab wheat growers on their good luck and on their having been fortunate enough to move the stony heart of Government into action, may I urge all my friends from the Punjab and other provinces to help us and enable us from Bengal to move that stony heart to do something at long last in the cause of the rural population of Bengal which is suffering the most acute distress at the present moment.

THE HONOURABLE KHAN BAHADUR CHAUDRI MUHAMMAD DIN (East Punjab : Muhammadan): Sir, it is a source of great gratification that the Government of India has at last agreed as a temporary measure to an import duty on foreign wheat. The current price of wheat and other agricultural produce is much below the cost of production. In my own case this year, in some of my holdings the produce has been insufficient to pay even the land revenue and *abiana*, in spite of the fact that the Punjab Government had remitted a part of the land revenue and *abiana* on cotton and rice. Sir, the sad plight of small cultivators, who have no other sources of income, and who constitute the preponderating majority of the agricultural population, may well be imagined. An Honourable Member in the other House the day before yesterday told us that zamindars in some parts had to sell their daughters to find money to pay the land revenue. This being the case, Sir, I view with grave apprehension the insertion of clause 3 in the Bill which exempts from its operation foreign wheat already ordered. This clause will defeat the very aim and purpose of the Bill. We do not know the exact amount of wheat which has been already ordered. As the situation is very acute, I would very strongly urge that having regard to the greatest good of the greatest number,

[Khan Bahadur Chaudri Muhammad Din.]

the clause may be entirely deleted from the Bill. No such provision has been made in the case of the duty on kerosene oil and sugar, and there is no reason why exemption should be made in the case of wheat. If traders in wheat will suffer loss, then the traders in kerosene oil and sugar will also suffer loss. Sir, if there are any special reasons which require that wheat traders should be treated with consideration, then I submit that Government's duty to protect the peasant, the man behind the plough, is still more urgent. Government should not take away with one hand that which it has given with the other. I am not less anxious than anybody else to protect the legitimate interests of traders in wheat. All I want is that the interests of the peasantry should not suffer for the sake of big syndicates. "A bold peasantry, the pride of its country, when once destroyed, can never be replaced." If Government can meet the requirements of the cultivator by some other measures, such as temporary reduction of land revenue, reduction of railway freight to Calcutta, I shall have no hesitation in withdrawing my objection to the clause. The agricultural distress is an all-India problem and it is unreasonable to ask the Punjab Government to make good the loss to the railway, as I suppose, is being done. Sir, I ask the Government of India to look at the problem from the point of view of the agricultural position which will obtain a few months hence. By the time the next harvest comes, the borrowing capacity of the already heavily involved zamindar will be exhausted and in the majority of cases there will be nothing left to pay the Government revenues; and, Sir, there might be a movement for non-payment of land taxes, because of the sheer necessity of the case. I wish the Government of India to pay more serious attention to this matter than they have done so far. We should try to forestall the evil, and not to wait until it is upon us. Sir, over-production is said to be the main cause of the present agricultural distress. But I think that one reason is that Russia is selling, and intentionally selling, wheat at very cheap rates, as observed by my Honourable friend Rai Bahadur Lala Ram Saran Das. Because of the stipulations of the trade agreement with Great Britain and other countries they cannot embark on direct propaganda, but they can, and I think they are trying to, create widespread agrarian discontent by lowering the prices of agricultural commodities which they can produce in large quantities.

Sir, with these remarks I oppose clause 3 of the Wheat Bill.

THE HONOURABLE SARDAR BAHADUR SHIVDEV SINGH UBEROI (Punjab : Sikh) : Sir, this is a measure about which there can be no two opinions from the Indian point of view. My Honourable friends from the Punjab, Rai Bahadur Lala Ram Saran Das and Khan Bahadur Chaudri Muhammad Din, have referred in harrowing terms to the sad plight of the producers of wheat in the Punjab. The very gentleman told me the day before yesterday that he is the owner of 20 rectangles of land which comes to 500 acres and he had to send Rs. 600 from here, possibly from his daily allowance, to meet the revenue demand of the Government. This shows that the gentleman, who is the owner of 500 acres in the Punjab, has not been able to get so much from the produce of land as to be able to pay the water tax and the land revenue; and this is all the more reason why we should congratulate the Government on bringing forward such a Bill. At present it is temporary for one year, and let us hope that circumstances will improve in the next year and there will be no necessity for the continuance of such a measure next year. Let us hope that conditions would differ, let us hope that the export of Indian wheat would take place and would fetch a suitable market for its produce and also get a

better return for all the labour involved in agriculture. (*The Honourable Rai Bahadur Lala Ram Saran Das* : "Question ?") This is a point which I would also urge at this moment, that if the conditions do not improve and if the agricultural produce of India does not find its way beyond the shores, it would be a serious problem for the Government to consider the question of the land revenue and the water cess, because the settlement of rates was made in the Punjab at a time when the rates of wheat, etc., were much higher than what they are this year ; and it is a truism that at the present rates, no agriculturist, big or small, will be able to pay the high land revenue and the high water rates which are levied in the Colony districts.

Whilst congratulating the Member in charge of this Bill on behalf of Government, I have got my misgivings also about clause 3. Traders are generally very shrewd people and money is such a thing in the world which perhaps leads the human mind to many mischiefs and especially trade tricks. It is not likely that this clause may take away very much the good effects of this measure. Though the Bill was brought into the Legislative Assembly two days ago, and in this House to-day, people outside knew that such a measure was in contemplation and the shrewd traders may have got scent of it and may have entered into agreements which may not be all real, but only to make money out of this bargain. I suggest to the Honourable Member, whether something might not be done to revise this clause which I fear may take away with one hand that which is given with the other. Another clause which strikes me, Sir, is the provision in this clause 3 (1) :

"Provided that in all cases documents showing that the contract of sale has been made under these circumstances are deposited with the Customs Collector before the 1st day of May, 1931."

I would very much like that this period is reduced by 15 days and we have the 15th April instead of the 1st May, because one month is a long time in which the documents about consignments may be signed, received and got from the different countries which are importing wheat into India, and the good effects of all this legislative measure may all be taken away. I am sure this measure would help very greatly in bringing the produce of wheat-growing provinces to the port towns. Even a small reduction in the railway freight has brought that good effect. I was told by His Excellency the Governor of the Punjab the other day, when I had the honour of interviewing him, that about 2,500 tons of wheat have, since the rates were reduced, gone from the Punjab to Calcutta and Karachi. I am sure that this Bill, if passed, would certainly help a great deal the wheat-growing province to send their produce to port towns, and this measure should be considered as a beneficial measure for the wheat growers and we must whole-heartedly support it.

My friend, the Honourable Mr. Basu, who is not in his seat, complained on the absence of such a Bill for the jute producers in Bengal. I am very glad and proud to hear that the Punjabees have influence with the Government of India, though the Punjab is waiting for its turn in the Executive Council, to bring this measure in support of the Punjab ; I wish such influence is brought to bear about the jute-growing province of Bengal. Every agriculturist, Bengalee, Punjabee or otherwise, should be able to make his earning and should be able to make both ends meet by one of the foremost industries in which he is engaged by having a good market for his produce.

With these remarks, Sir, I whole-heartedly support this measure.

THE HONOURABLE MAJOR NAWAB SIR MAHOMED AKBAR KHAN (North-West Frontier Province: Nominated Non-Official): Sir, it is no secret from anybody in and outside this Honourable House that the general depression in the prices of agricultural produce have greatly affected the agriculturists of this country. I myself belong to this class of people, and it is therefore that I am extremely sorry about the miserable condition of the peasantry of India to which they have been reduced on account of this general depression all over the country. It rather pains me to state that this class of people has been reduced to such a condition that it has been very difficult for them to meet the land revenue demand and *abiana* for the last harvest. In many cases they have been compelled to part with almost the whole of their produce of the year to pay their quota of land revenue and other taxes to the Government. Instances are not wanting in which they have been put to the necessity of selling their milking cows and ploughing bullocks in order to make good the deficiency in respect of this demand against them. On the Frontier the cultivators have mostly been compelled to agree to give up their entire produce to the Government, keeping nothing for the maintenance of their families. Indeed, it is a sorrowful spectacle for one to see that the agriculturist after their six months of hard labour, were put to the painful necessity of selling their cattle as well as their produce in order to pay their share of land revenue. The worst of the matter is that they have retained nothing for the upkeep of their families either in the shape of food-stuffs, or for purposes of obtaining other necessities of life by selling a portion of their surplus store. I am afraid one or two more harvests like the last one will surely result in the entire destruction of the peasantry of India. On the strength of personal experience I can dare to say that no big landlord throughout the country has been in a position to pay his land revenue from the proceeds of his entire produce, but has had to part with a considerable amount of his deposits saved through his frugal habits. If this state of affairs continues for one or two harvests, I am afraid the agriculturists will have no alternative but to part with their lands in favour of the Government. It was on account of such a serious situation in the country that I pointed out the other day during the general discussion on the Budget for the next year that immediate measures might be devised to improve the condition of the agriculturists, as the wealth and prosperity of a country chiefly depends on the betterment and welfare of this class of people. Agriculturists have been described as the backbone of the society, or in other words the most important part of the human fabric in the same manner as the backbone stands to the body. Its strength is the strength of the body and its weakness is feared to result in the breakdown of the human structure. This is more true about India than the other countries of the world, for nearly 80 per cent. of the population of this sub-continent consists of this class of people. But unfortunately, in spite of their being in such an overwhelming majority in number, the economic condition of these people in India is evidently worse than the other classes inhabiting this country. The situation on the Frontier is even more serious; and how can it not be so when the price of wheat, which used to be sold between Rs. 5 or 6 per maund last year, has all of a sudden gone down to a rupee and a half and that of barley to annas twelve a maund? This decrease in price has so much affected the peasants that they are even contemplating to transfer their lands to the Government and to take to some other profession which might bring them the necessary livelihood for themselves as well as for those dependent on them.

Now, Sir, as a matter of fact, all this trouble and the miseries which have fallen to the lot of the agriculturists of India are due, firstly, to the sudden fall in prices and, secondly, to the realisation of land revenue at fixed rates.

It has been admitted by responsible persons like the Honourable the Finance Member in the other House that so much decrease in prices has not been experienced during the last 35 years. I might say that I myself during 40 years of my life have never experienced this depression. In spite of this admission, no step has so far been taken to alleviate the sufferings of the agriculturists either by a remission of the land revenue, or by devising a measure to effect a rise in the prevailing prices of agricultural produce. If the Government is not prepared to grant any remission in land revenue, it ought to devise some effective method to effect an increase in prices : otherwise how can it be fair on the part of the Government to expect that the agriculturists will manage to meet their land revenue demand in the face of such a depression which amounts to nearly 70 per cent. as compared with the prices of the last year ?

India has keen competitors in Australia and Russia with regard to its wheat produce. The book from which my Honourable friend Lala Ram Saran Das was quoting, I had an opportunity of cursorily going through, and I also had a discussion with my friend on this matter. As far as my recollection goes, in Russia there is a scheme on foot to bring 30 million acres of land under cultivation within the space of five years instead of her capacity of two million acres of culturable land under the Czars. In case this scheme is executed up to the proposed extent there will be a large quantity of wheat pouring into the Indian markets and in case no adequate measures are adopted by the Government of India to restrict its import, I am afraid the Indian peasantry will have to face a still more serious decrease in prices. To avoid that situation it was therefore highly imperative that adequate measures should be adopted which might prove effective to improve the condition of the agriculturists within the country and also restrict the import of foreign wheat into this country in the near future. I think the present Bill will serve the desired purpose. It is intended to protect and improve the condition of the agriculturists of India. The proposed duty will restrict the import of wheat from foreign countries and at the same time there may be a possibility of an increase in prices within the country. In case it does not restrict the import as desired, it will surely contribute a good deal to improve the finances of the country and thus provide some relief to the general tax-payer.

We did not have much time to consider this Bill and therefore I could not work out in detail with reference to clause 3 of the Bill, to which most of my friends from the Punjab have been objecting, how many forward contracts for Australian wheat have already been made by the various people in India. But to the best of my recollection, I have been told by my Honourable friend Lala Ram Saran Das this morning—the responsibility for the statement will lie entirely on his shoulders—that there had been forward contracts for Australian wheat for 1,14,000 tons up to the 1st of March.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : For 1,50,000 tons.

THE HONOURABLE MAJOR NAWAB SIR MAHOMED AKBAR KHAN : All right ; let it be 1,50,000. Well, Sir, if contracts for this quantity of wheat have already been made, I think the producers from the North will lose a tremendous lot if no duty is imposed on this big quantity of wheat, because, Sir, most of the wheat grown in the Punjab and the North-West Frontier Province is transhipped and carried by the railway to Karachi and it finds a very good market in Calcutta. If the Calcutta people have already got such enormous quantities without the import duty, I think it will affect the rates of prices in the Punjab and the North-West Frontier Province. Sir, I have not calculated it myself and therefore I could not definitely say what the effect will be, but if

[Major Nawab Sir Mahomed Akbar Khan.]

the duty is imposed with retrospective effect even on this amount, I think that will be beneficial to all the cultivators because it will help to keep up the price of wheat. We cannot pay the land revenue unless the price of wheat is over Rs. 3 a maund. If it goes anything under Rs. 3 a maund, it is impossible for the cultivator to pay Government land revenue and the present rate of *abiana*. As regards, Sir, my friend Mr. Basu saying that we have been very lucky in getting this favourable treatment.....

THE HONOURABLE MR. BEJAY KUMAR BASU: Aren't you ?

THE HONOURABLE MAJOR NAWAB SIR MAHOMED AKBAR KHAN: I will assure him that if he comes up with any resolution in favour of the jute cultivators, we, the Members from the Punjab and the North-West Frontier Province, will with one accord support him, because we have the same tender feeling for the cultivators in Bengal as we have for the cultivators in our own province.

THE HONOURABLE MR. BEJAY KUMAR BASU: Thank you for the assurance.

THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD (United Provinces Northern: Non-Muhammadan): Sir, I welcome the Bill as being eminently in the interests of the agricultural community and coming not a day too soon. It is an admitted fact that there has been a large surplus of wheat in India for some time side by side with such an enormous fall in the prices of agricultural commodities as has not been experienced within the last three decades or more, with the result that the wheat produced is unable to find a market either within or outside India. On the top of this came the import of foreign wheat into the country which is landed at the principal ports in India at such a low price that wheat produced in India is unable to compete with it at those ports and in the adjacent areas. The result of all this is that the cultivator is hard put to it by reason of his having to sell wheat at below the cost of production. How is he then to find the wherewithal to pay his rent to the landlord and canal dues to the Government and how is he to make the two ends meet? Consequently the zamindars are unable to pay their land revenue in full and properties of quite a number of big and respectable zamindars in the United Provinces, like the Raja of Kalakankar and others, have been attached for default in payment of land revenue. At a time of distress like the present one, it had long been expected that the Government of India would take some remedial measures to control the prices of agricultural commodities in the interests of agriculturists who form about 90 per cent. of India's population. But the Government have done little so far in the desired direction. It is now in the fitness of things that the Government of India realised their responsibility in the matter and came forward with this measure of protection. Sir, I for one thought that the interests of the Indian agriculturist demanded that the Government took steps not only to prohibit the import of all foreign wheat into India but also to facilitate the easy movement of Indian wheat from the main producing centres to important markets by reducing the railway freight on wheat. But the Government took the last mentioned measure only to a very limited extent and that too for a short period. By means of their communique, dated the 17th November, 1930,

they reduced the railway rates on wheat from the Punjab and the United Provinces to Karachi till the 28th February, 1931, and by means of their second communiqué, dated the 29th January, 1931, they granted for a period of two months, namely, February and March of the current year, a rebate of one-third of the freight on all consignments of wheat booked from the Punjab to Calcutta. Why the last mentioned concession should have been kept confined to the Punjab alone and not extended to the United Provinces and why these remedial measures should have been given such a short lease of life, when economic conditions have remained practically unchanged, passes one's comprehension. Even these temporary measures must have gone some way to ease the situation as it is nothing short of an anomaly that the sea freights for wheat from Australian ports to Bombay should be lower than the combined railway and sea freight from the Punjab to Bombay and that the sea freights for wheat from Australian ports to Calcutta should be lower than the railway freights from the Punjab to Calcutta.

Sir, the Bill, so far as it goes, does assist the Indian producer. Although clause 3 takes away much of the utility of the measure and there is a possibility of many a bogus contract being entered into if that clause existed in the Bill, yet the measure is sure to afford protection to the cultivator to some extent and thereby improve his miserable lot by making, designed as the Bill is, the importation of wheat from abroad unprofitable, and by enabling the stocks of surplus wheat held in Northern India to be absorbed in the market.

Sir, I support the Bill and hope that the House will extend its support to it.

THE HONOURABLE MR. MILES IRVING (Punjab : Nominated Official):

Sir, I desire to correct some misapprehension which may have been caused by the remarks of the Honourable and gallant Member who spoke before the last speaker. It is not the case, Sir, that the Punjab Government has done nothing to alleviate the situation as regards the fall of prices as it affects the land revenue. That suggestion comes to me with particular poignancy because I have just been enabled to secure total remissions in one district, Gurgaon, of over three lakhs of land revenue and over three lakhs of *takari*, but I would rather confine my remarks to the particular remissions especially given on account of the fall of prices. On account of the fall of prices, out of the revenue of the last *kharif* harvest the Punjab Government have decided to give a remission wherever the combined total of land revenue and *abiana* exceed Rs. 7 an acre. I cannot at this moment remember the actual total of that remission. I believe it is in the neighbourhood of 30 lakhs. As regards wheat, I am not in the least in a position to say what the Punjab Government will do in response to a Resolution laid in the Council on the subject. No doubt, much depends on the price of wheat at a future date, and also I may say on how far the cost of production will catch up the fall. I only wish to remove any misapprehension that the Punjab Government is in any way neglectful of this very important subject.

THE HONOURABLE MAJOR NAWAB SIR MAHOMED AKBAR KHAN : But is this remission given permanently or is it going to be recovered when a prosperous year comes ?

THE HONOURABLE MR. MILES IRVING : It is a permanent remission.

THE HONOURABLE MR. J. A. WOODHEAD: Sir, I have very little to say as I gather from the speeches made that there is no opposition to my motion that the Bill be taken into consideration. The chief critic of the Bill has alleged that the Bill does not go far enough. Apparently what he desires is a permanent prohibition for all time combined with import under license. The Bill, Sir, is designed to meet extraordinary circumstances at a time when conditions are abnormal, and I think it would be unwise to go further than provide a measure which will meet these abnormal conditions. The Honourable Rai Bahadur Lala Ram Saran Das is worried about the danger that may arise to the Indian producer of wheat from large importations or dumping of Russian wheat. That danger has not materialised as yet and I think it would be wise to postpone any decision as regards what action should be taken if Russian wheat should in the future be imported in large quantities at a very low price into India until that event has actually taken place. The Honourable Mr. Basu dwelt at length upon the misery caused to the jute growers in Bengal by the low price of jute. Sir, I have the honour to come from Bengal. In fact, I think I may say I not only come from Bengal but I come from Eastern Bengal, which is the main jute producing area of Bengal, and I appreciate the loss which has occurred this year to the jute grower in Eastern and Western Bengal in consequence of the very low price which that commodity has realized in the market this year. But, Sir, I can assure the House that the Government of India has no special preference for the Punjab wheat grower and no special sympathy with the Punjab wheat grower. They realize that all agriculturists in India, whether they grow jute or cotton or wheat or groundnuts or other agricultural products, have suffered enormously through the extraordinary drop in commodity prices. It has been possible to take action as regards the Punjab, but unfortunately the Government of India have been unable to take any action as regards jute, cotton or other articles. And perhaps, if I might make a remark as regards Mr. Basu's speech, it is this. He has a grievance that action has not been taken to assist the jute grower, but he has not offered any constructive suggestion as regards what should or could have been done. Certain remarks have been made as regards clause 3 of the Bill, but, Sir, I do not propose at this stage to say anything as regards that clause. I will reserve my remarks until that clause is under consideration.

THE HONOURABLE THE PRESIDENT: The question is :

"That the Bill to impose a temporary duty of customs on the importation of wheat as passed by the Legislative Assembly, be taken into consideration."

The motion was adopted.

Clause 2 was added to the Bill.

THE HONOURABLE THE PRESIDENT: The question is :

"That clause 3 do stand part of the Bill."

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Sir, I oppose this clause and I wish that it should be deleted. My reasons for this are that from the figures we have before us there is no necessity at all for the import of wheat into India to augment a shortage of supply which some people anticipate. I will cite figures of the years in which the crop in India has exceeded 10 million tons. In 1910-11 the yield was 10,061,500 tons, while the imports were trifling. The exports in that year were 1,361,166 tons, and there remained in India 8,700,334 tons. Then in the year 1914-15 the yield was over 10 millions; it was 10,087,000 tons. In that year the exports were 706,382 tons and there remained in India over 9 millions; while the imports were only 1,451 tons. Then in 1916-17 the yield was 10,236,000 tons. The exports were 748,913, and the imports were only 7 tons.

THE HONOURABLE THE PRESIDENT: I think the House would be glad if the Honourable Member could give his figures in round numbers.

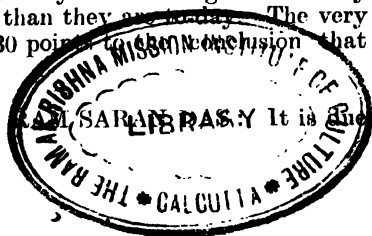
THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Then in 1919-20 the yield was also over 10 million tons; the exports were 237,000 tons and the imports were 148,000. In 1930-31, according to the figures given by the Honourable the Commerce Secretary, the yield up to the end of May and June has been over 10½ million tons and the exports have been about 1,19,000 tons. So, Sir, the surplus in India is about 9,931,000 tons; of that our consumption is only about 8½ million tons. We have got a bigger surplus and therefore there is no justification for any exemption to be made as is stipulated in this clause. If this clause is adopted, it will annul the object for which the Bill has been moved. There has been, Sir, a fall in the price of wheat, because it has been imported. There has been no fall in the price of gram, cotton seed or any other produce, which has not been imported; and, Sir, to avoid the disaster which is coming, I think it is wise that this clause should be deleted.

THE HONOURABLE MR. J. A. WOODHEAD: Sir, in my speech on the motion that the Bill be taken into consideration I dealt at some length with the reasons for which clause 3 found a place in the Bill, and I hope, Sir, that it will not be necessary for me to repeat those reasons at considerable length now. The Honourable Rai Bahadur Lala Ram Saran Das at the end of his speech said that if this exemption was granted it would annul the very object of the Bill and he apparently attributed the slight fall in price which has taken place since the introduction of the Bill to the presence of this exemption clause. As I explained, Sir, the effect of the exemption is to admit 120,000 tons or rather less than that figure of Australian wheat. The production in India in the year 1930 was 10½ million tons. This year it is estimated—this is the preliminary forecast—at nearly 9½ million tons and the consumption, although I do not vouch for the accuracy of the figure, is somewhere in the region of 8½ million tons. I ask, Sir, does the House believe that the admission of 120,000 tons in a country which produced last year 10½ million tons, which is estimated to produce this year nearly 9½ million tons, that the admission of that small quantity is likely to have any effect whatsoever on prices? I maintain, Sir, that it cannot.

THE HONOURABLE SARDAR BAHADUR SHIVDEV SINGH UBEROI: May I know whether, when calculating the figure of consumption, the increase in the population of 3 crores of souls in India has been taken into account?

THE HONOURABLE MR. J. A. WOODHEAD: No, Sir. I have not been able to take every factor into account. I admitted that I could not vouch for the absolute accuracy of that figure, but it is a figure which I trust is approximately accurate. If the Honourable Member suggests that there is not an exportable surplus in India, I would ask him if he can explain why if there is not an exportable surplus, prices in India are at their present low level: if there is not an exportable surplus, prices at the markets in Northern India must be on the import basis, and on that basis they would be higher than they have been during the year 1930 and higher than they are today. The very course of prices in India during the year 1930 points to the conclusion that there is a considerable exportable surplus.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: It is due to the speculation of the importers.



THE HONOURABLE MR. J. A. WOODHEAD : I do not follow that.

The two main reasons why this exemption has been granted are these. First of all, as I tried to explain before, the imposition of an import duty on wheat will not have the effect of increasing the price in India by the extent of the import duty, and therefore a miller who has entered into contracts for the purchase of foreign wheat will not be able to recoup himself for the additional expenditure involved in the payment of the duty. The loss to the miller would be heavy and I gave an instance of what that loss would be by explaining that the duty on a single cargo of 5,000 tons is Rs. 2 lakhs. The second point, Sir, is the export trade in wheat flour. We have a considerable export trade with the Near East, Arabia, countries round the Red Sea and East Africa. This export trade is in the region of 50,000 to 60,000 tons of wheat flour. That corresponds approximately to about 90,000 tons of wheat. In any case, Sir, in order to retain that export trade, it would be necessary to make some arrangements for the grant of a rebate on the amount of wheat required for that export trade, because, as I explained, if the millers in Bombay cannot get cheap foreign wheat they cannot retain their export trade. Therefore, under any circumstances, you would have to provide some machinery by which at least 90,000 tons of foreign wheat could enter the country free of duty and the Bill does very little more than that, because, as I have explained to Honourable Members, the amount which we calculate will be admitted free of duty is less than 120,000 tons.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : Are we to understand that remission will be based on the export of wheat flour by the said millers ?

THE HONOURABLE MR. J. A. WOODHEAD : No, Sir. I was trying to explain that under any hypothesis, it would be necessary in order to enable the export trade to be retained to admit free of duty foreign wheat to the extent of about 90,000 tons. The exports are, as I have said, in the region of 50,000 to 60,000 tons and that approximates to about 90,000 tons of wheat. So, under any hypothesis you would have to provide some means by which exporters of wheat flour in order to retain their export trade would be able to obtain this quantity of foreign wheat and the Bill does very little more than that, because, as I have already stated, the amount which is estimated will be admitted-free of duty is somewhere in the region of 120,000 tons.

Sir, I think the reasons I have given fully justify the inclusion of clause 3.

THE HONOURABLE THE PRESIDENT : The question is :

“ That clause 3 do stand part of the Bill.”

The motion was adopted.

Clause 3 was added to the Bill.

Clauses 4 and 5 were added to the Bill.

Clause 1 was added to the Bill.

The Title and Preamble were added to the Bill.

THE HONOURABLE MR. J. A. WOODHEAD : Sir, I beg to move that the Bill to impose a temporary duty of customs on the importation of wheat, as passed by the Legislative Assembly, be passed.

THE HONOURABLE MR. M. D. DEVADOSS (Nominated Indian Christians) : Sir, I have no objection to the Bill being passed as it is, but I must enter my emphatic protest against the principle of the Bill, namely, taxing foodstuffs. Sir, as a free-fooder, I fear this principle, if once introduced, might go on increasing and other foodstuffs might be taxed. Government have no doubt undertaken to have this duty only for one year, but I fear that this duty or some other duty may be imposed on foodstuffs. It is all very well to speak of the zamindars whose sufferings have been ventilated in this House. What about the poor man, Sir, who has to depend for his food upon cheap commodities ? Nobody seems to have taken note of the fact that if he has cheap food he will have, to use a vulgar expression, his belly full . . .

THE HONOURABLE MAJOR NAWAB SIR MAHOMED AKBAR KHAN : May I ask what were the poor men doing when wheat was being sold at Rs. 9 a maund ?

THE HONOURABLE MR. M. D. DEVADOSS : That is easily answered. A good many people had only one meal or only half a meal. Now that they have got enough to eat we should not prevent them from eating. I only make this observation, Sir, so that Government and other Honourable Members who are interested in legislation of this kind may not bring forward such a Bill next year.

THE HONOURABLE THE PRESIDENT : The question is :

"That the Bill to impose a temporary duty of customs on the importation of wheat as passed by the Legislative Assembly, be passed."

The motion was adopted.

THE HONOURABLE SIR BROJENDRA MITTER (Leader of the House) : Sir, there is no further business before the House this Session.

The Council then adjourned *sine die*.

APPENDIX

Inland consumption of wheat in tons.

Year.	Area.	Yield.	Exports.	Remaining in India.	Imports.	Nett position.
1923-24 . .	31,181,000	8,000,000	1924-25 . 1,111,700	8,548,300	1924-25 . 4,000	8,552,300
1924-25 . .	31,774,000	8,500,000	1925-26 . 211,600	8,654,400	1925-26 . 35,000	8,689,400
1925-26 . .	30,471,000	8,090,000	1926-27 . 175,900	8,520,100	1926-27 . 40,000	8,560,100
1926-27 . .	31,303,000	8,073,000	1927-28 . 299,700	8,673,300	1927-28 . 69,000	8,742,300
1927-28 . .	33,193,000	7,791,000	1928-29 . 114,700	7,676,300	1928-29 . 562,000	8,238,300
1928-29 . .	31,973,000	8,591,000	1929-30 . 13,000	8,578,000	1929-30 . 357,000	8,935,000
1929-30 . .	31,347,000	10,353,000	1930-31 . 214,903*	...	...	...
Total .						51,717,400
Average .						8,619,566

*Exports to end of June taken from Indian Trade Journal 48,900

Exports from Karachi during July to November taken from Karachi Chamber of
Commerce Publications 166,003

214,903

Inland consumption of wheat in tons.

Year.	Area.	Yield.	Exports.	Remaining in India.	Import.	Nett position.
1918-19 . .	23,764,000	7,502,000	1919-20 . 8,600	7,493,400	1919-20 . 118,000	7,641,400
1919-20 . .	20,949,000	10,122,000	1920-21 . 237,600	9,884,400	1920-21	9,884,400
1920-21 . .	25,783,000	6,706,000	1931-22 . 81,000	6,625,000	1921-22 . 440,000	7,065,000
1921-22 . .	28,234,000	9,613,000	1922-23 . 220,000	9,393,000	1922-23 . 19,000	9,612,000
1922-23 . .	30,541,000	9,682,000	1923-24 . 638,000	9,314,000	1923-24 . 12,000	9,356,000
Total .						43,558,800
Average .						8,711,760

Inland consumption of wheat in tons.

Year.	Area.	Yield.	Exports.	Remaining in India.	Imports.	Nett position.
1910-11 . .	30,565,000	10,061,500	1911-13 1,361,166	8,700,334	1911-12 1,768	8,702,103
1911-12 . .	31,141,000	9,924,500	1912-13 1,660,187	8,264,313	1912-13 2,538	8,266,851
1912-13 . .	30,043,000	9,853,000	1913-14 1,202,205	8,650,795	1913-14 7	8,650,802
Total .						25,619,755
Average .						8,539,919





